

SCHLEY COUNTY, GEORGIA

FINANCIAL REPORT

**For the Fiscal Year Ended
JUNE 30, 2005**



**CHAMBLISS, SHEPPARD,
ROLAND & BAXTER, LLP**
CERTIFIED PUBLIC ACCOUNTANTS

SCHLEY COUNTY, GEORGIA

FINANCIAL REPORT

**For the Fiscal Year Ended
JUNE 30, 2005**

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Annual Financial Report
For the Year Ended June 30, 2005

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SCHLEY COUNTY, GEORGIA
Annual Financial Report
For the Fiscal Year Ended June 30, 3005

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FINANCIAL SECTION



CHAMBLISS, SHEPPARD, ROLAND & BAXTER, LLP

Independent Auditors' Report

Board of Commissioners of Schley County, Georgia
Ellaville, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of Schley County, Georgia, as of and for the year ended June 30, 2005 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the remaining fund information of Schley County, Georgia, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2007, on our consideration of the Schley County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

CERTIFIED PUBLIC ACCOUNTANTS

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GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

Chambis Sheppard Roland & Baxter LLP

Americus, Georgia
November 20, 2007

SCHLEY COUNTY, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Schley County Department of Public Health
ASSETS				
Cash	\$ 113,666.15	\$ (54,318.17)	\$ 59,347.98	\$ 38,799.00
Certificate of Deposit	-	-	-	-
Due from State of Georgia	-	-	-	-
Grant funds Receivable	-	-	-	-
Receivables (Net, where applicable, of allowances for uncollectible):				
Property Taxes	31,967.45	-	31,967.45	-
Sales Taxes	20,554.70	-	20,554.70	-
Accounts	45,998.04	54,608.66	100,606.70	1,163.00
Inventory	-	48,571.54	48,571.54	-
Internal balances	384,154.95	(384,154.95)	-	-
Restricted Cash	-	20,943.77	20,943.77	-
Capital Assets, nondepreciable				
Land	200,469.61	10,000.00	210,469.61	-
Construction in Process	11,546.95	113,373.41	124,920.36	-
Capital assets, depreciable net of Accumulated Depreciation	1,145,667.90	6,491,941.37	7,637,609.27	-
Total Assets	1,954,025.75	6,300,965.63	8,254,991.38	39,962.00
LIABILITIES				
Accounts Payable	71,064.73	87,317.97	158,382.70	138.00
Tax Anticipation Note Payable	200,200.00	-	200,200.00	-
Due to Other Governments	45,334.09	-	45,334.09	-
Compensated Absences due Within One Year	6,518.15	2,676.01	9,194.16	-
Compensated Absences due in More than One Year	30,029.95	5,734.90	35,764.85	6,545.00
Customer Deposits	-	18,095.00	18,095.00	-
Accrued Landfill Postclosure Care Costs	370,588.00	-	370,588.00	-
Notes Payable Due within one year	-	467,267.51	467,267.51	-
Notes Payable Due in more than one year	-	1,560,294.72	1,560,294.72	-
Total Liabilities	723,734.92	2,141,386.11	2,865,121.03	6,683.00
NET ASSETS				
Investment in capital assets, net of related debt	1,357,684.46	5,038,752.55	6,396,437.01	-
Unrestricted	(127,393.63)	(879,173.03)	(1,006,566.66)	33,279.00
Total net assets	\$ 1,230,290.83	\$ 4,159,579.52	\$ 5,389,870.35	\$ 33,279.00

See accompanying notes to financial statements.

SCHLEY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Functions/Program	Expenses	Program Revenues		
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 352,537.60	\$ 68,324.47	\$ -	\$ -
Judicial	191,295.37	102,369.07	-	-
Public Safety	618,077.01	71,856.22	42,129.96	-
Public Works	477,292.47	14,946.97	15,852.73	-
Health and Welfare	37,535.91	-	-	-
Culture and Recreation	55,268.78	-	-	-
Housing and Development	28,993.18	-	-	-
Intergovernmental	165,022.00	-	-	-
Total governmental activities	<u>1,926,022.32</u>	<u>257,496.73</u>	<u>57,982.69</u>	<u>-</u>
Business-type Activities:				
Water Department	395,261.81	75,790.06	-	6,000.00
Maintenance Department	305,705.71	267,319.77	-	-
Sanitation Department	201,677.73	122,871.04	-	-
Total business-type activities	<u>902,645.25</u>	<u>465,980.87</u>	<u>-</u>	<u>6,000.00</u>
Total Primary Government	<u>\$2,828,667.57</u>	<u>\$ 723,477.60</u>	<u>\$ 57,982.69</u>	<u>\$ 6,000.00</u>
Component Unit:				
Schley County Health Department	<u>\$ 133,751.00</u>	<u>\$ 12,894.00</u>	<u>\$ 117,771.00</u>	<u>\$ -</u>

General revenues:
Taxes:
Property taxes
Sales
Insurance premium tax
Other taxes
Interest Earnings
Rental Earnings
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

Net (Expenses) Revenues and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit Schley County Department of Public Health
\$ (284,213.13)	\$ -	\$ (284,213.13)	\$ -
(88,926.30)	-	(88,926.30)	-
(504,090.83)	-	(504,090.83)	-
(446,492.77)	-	(446,492.77)	-
(37,535.91)	-	(37,535.91)	-
(55,268.78)	-	(55,268.78)	-
(28,993.18)	-	(28,993.18)	-
(165,022.00)	-	(165,022.00) *	-
<u>(1,610,542.90)</u>	<u>-</u>	<u>(1,610,542.90)</u>	<u>-</u>
-	(313,471.75)	(313,471.75)	-
-	(38,385.94)	(38,385.94)	-
-	(78,806.69)	(78,806.69)	-
<u>-</u>	<u>(430,664.38)</u>	<u>(430,664.38)</u>	<u>-</u>
<u>\$ (1,610,542.90)</u>	<u>\$ (430,664.38)</u>	<u>\$(2,041,207.28)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,086.00)</u>
794,233.03	-	794,233.03	-
469,644.21	-	469,644.21	-
-	89,973.01	89,973.01	-
60,236.77	-	60,236.77	-
3,275.87	269.56	3,545.43	531.00
34,568.57	6,000.00	40,568.57	-
36,866.83	-	36,866.83	-
<u>1,398,825.28</u>	<u>96,242.57</u>	<u>1,495,067.85</u>	<u>531.00</u>
1,005.10	-	1,005.10	-
<u>1,399,830.38</u>	<u>96,242.57</u>	<u>1,496,072.95</u>	<u>531.00</u>
(210,712.52)	(334,421.81)	(545,134.33)	(2,555.00)
<u>1,441,003.35</u>	<u>4,494,001.33</u>	<u>5,935,004.68</u>	<u>35,834.00</u>
<u>\$ 1,230,290.83</u>	<u>\$ 4,159,579.52</u>	<u>\$ 5,389,870.35</u>	<u>\$ 33,279.00</u>

See accompanying notes to financial statements.

**SCHLEY COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

ASSETS	General	Special 1% Sales Tax Fund	Other Governmental Funds	Total
Cash in Bank	\$ 103,491.68	\$ (4,315.68)	\$ 14,490.15	\$ 113,666.15
Receivables				
Property Tax (net, allowance for uncollectible of \$2,983)	31,967.45	-	-	31,967.45
Sales Taxes	20,554.70	-	-	20,554.70
Accounts	34,716.58	-	-	34,716.58
Due from Other Funds	482,371.84	14,480.00	-	496,851.84
Total Assets	673,102.25	10,164.32	14,490.15	697,756.72
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	71,064.73	-	-	71,064.73
Tax Anticipation Note Payable	200,200.00	-	-	200,200.00
Due to Other Governments	841.84	44,492.25	-	45,334.09
Due to Water Fund	19,142.60	-	-	19,142.60
Due to General Fund	-	93,554.29	-	93,554.29
Deferred Revenue	24,055.09	-	-	24,055.09
Total Liabilities	315,304.26	138,046.54	-	453,350.80
FUND BALANCES (DEFICITS)				
Unreserved, undesignated	357,797.99	(127,882.22)	14,490.15	244,405.92
Designated	-	-	-	-
Total Fund Balances (Deficits)	357,797.99	(127,882.22)	14,490.15	
Total Liabilities and Fund Balances	\$ 673,102.25	\$ 10,164.32	\$ 14,490.15	

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

1,357,684.46

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

35,336.55

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(407,136.10)

\$ 1,230,290.83

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year ended June 30, 2005

	General	Special 1% Sales Tax Fund	Other Governmental Funds	Total
REVENUES:				
Property Taxes	\$ 794,057.31	\$ -	\$ -	\$ 794,057.31
Other Taxes	199,836.97	330,044.01	-	529,880.98
Licenses and Permits	15,236.80	-	-	15,236.80
Intergovernmental	* 51,852.69	-	6,130.00	57,982.69
Charges for Services	219,232.62	-	-	219,232.62
Fines and Forfeitures	17,874.94	-	11,334.94	29,209.88
Interest	3,093.31	182.56	59.51	3,335.38
Miscellaneous	68,564.89	-	8,674.43	77,239.32
Total Revenues	1,369,749.53	330,226.57	26,198.88	1,726,174.98
EXPENDITURES:				
Current Operating Expenditures				
General Government	360,646.19	140.40	-	360,786.59
Judicial	191,290.43	-	4.94	191,295.37
Public Safety	621,646.93	1,925.00	14,531.40	638,103.33
Public Works	351,749.31	-	-	351,749.31
Health and Welfare	30,897.85	-	-	30,897.85
Culture and Recreation	53,150.94	236.25	-	53,387.19
Housing and Development	28,993.18	-	-	28,993.18
Intergovernmental	* -	* 165,022.00	-	165,022.00
Capital Outlay	-	126,610.52	-	126,610.52
Total Expenditures	1,638,374.83	293,934.17	14,536.34	1,946,845.34
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(268,625.30)	36,292.40	11,662.54	(220,670.36)
OTHER FINANCING SOURCES (USES):				
Sale of Surplus	3,710.00	-	-	3,710.00
Reimbursement from SPLOST	5,083.85	-	-	5,083.85
Fixed Asset Insurance Proceeds	14,294.00	-	-	14,294.00
Other	270.69	-	-	270.69
Interfund Transfers	(1,822.51)	-	2,827.61	1,005.10
Total Other Financing Sources (Uses)	21,536.03	-	2,827.61	24,363.64
NET CHANGE IN FUND BALANCES	(247,089.27)	36,292.40	14,490.15	(196,306.72)
FUND BALANCE AT BEGINNING OF YEAR	604,887.26	(164,174.62)	-	440,712.64
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 357,797.99	\$ (127,882.22)	\$ 14,490.15	\$ 244,405.92

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in <i>fund balances</i> - total governmental funds.	\$(196,306.72)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$206,109.06) exceeded depreciation (\$89,974.27) in the current period.	116,134.79
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(20,953.82)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(95,311.77)
In the Statement of Activities, a vehicle was removed resulting from a casualty, assets differs from the change in fund balance by the net book value of the vehicle sold.	(14,275.00)
	(14,275.00)
Change in Net Assets of Governmental Activities.	\$(210,712.52)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
 For the Year Ended June 30, 2005

REVENUES	Original Budget	Revised Budget	Actual	Variance with Final Budget
TAXES				
General Property	\$ 820,106.00	\$ 820,106.00	\$ 794,057.31	\$ (26,048.69)
Intangible Recordings	13,000.00	13,000.00	11,111.53	(1,888.47)
Interest, Cost, Penalties & Fees	5,000.00	5,000.00	11,133.52	6,133.52
1% Sales Tax	137,788.00	137,788.00	139,600.20	1,812.20
Real Estate Transfer Tax	5,000.00	5,000.00	9,615.87	4,615.87
Railroad Car Tax	4,991.00	4,991.00	5,514.62	523.62
Timber Tax	25,000.00	25,000.00	14,269.23	(10,730.77)
Alcoholic Beverage Excise	100.00	100.00	48.00	(52.00)
Financial Institutions	13,500.00	13,500.00	8,544.00	(4,956.00)
Other	800.00	800.00	-	(800.00)
Total	1,025,285.00	1,025,285.00	993,894.28	(31,390.72)
LICENSES AND PERMITS				
Beer License	500.00	500.00	486.80	(13.20)
Land Use Permits	7,500.00	7,500.00	14,750.00	7,250.00
Other Fees	500.00	500.00	-	(500.00)
Total	8,500.00	8,500.00	15,236.80	6,736.80
INTERGOVERNMENTAL				
Indigent Defense Fund	1,500.00	1,500.00	-	(1,500.00)
Grants	44,489.00	44,489.00	51,852.69	7,363.69
Total	45,989.00	45,989.00	51,852.69	5,863.69
CHARGES FOR SERVICES				
Clerk of Superior Court	25,000.00	25,000.00	25,825.01	825.01
Magistrate Court	16,000.00	16,000.00	16,144.46	144.46
Probate Court and Fines	70,000.00	70,000.00	41,238.66	(28,761.34)
Sheriff Fees and Charges	1,800.00	1,800.00	3,568.00	1,768.00
Commission on Tax	44,000.00	44,000.00	53,087.67	9,087.67
Ambulance Fees	53,000.00	53,000.00	44,688.86	(8,311.14)
Jail Contract City of Ellaville	28,000.00	28,000.00	27,999.96	(0.04)
State and Other County Inmate Housing	4,500.00	4,500.00	6,680.00	2,180.00
Other Revenues	500.00	500.00	-	(500.00)
Total	242,800.00	242,800.00	219,232.62	(23,567.38)
FINES & FORFEITURES				
Clerk of Superior Court	12,000.00	12,000.00	5,472.63	(6,527.37)
Probate Court Fines	-	-	12,402.31	12,402.31
Total	12,000.00	12,000.00	17,874.94	5,874.94
MISCELLANEOUS				
Interest Income	800.00	800.00	3,033.80	2,233.80
Driveway Pipe Sales	3,750.00	3,750.00	14,946.97	11,196.97
Rental Income	32,845.00	32,845.00	34,568.57	1,723.57
Admin fees from Water & Sanitation Funds	6,000.00	6,000.00	12,000.00	6,000.00
Miscellaneous	8,400.00	8,400.00	7,108.86	(1,291.14)
Total	51,795.00	51,795.00	71,658.20	19,863.20
Total Revenues	1,386,369.00	1,386,369.00	1,369,749.53	(16,619.47)

(Continued)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Revised Budget	Actual	Variance with Final Budget
EXPENDITURES				
GENERAL GOVERNMENT				
County Administration	\$ 74,974.00	\$ 74,974.00	\$ 75,865.15	\$ (891.15)
Board of Commissioners	56,750.00	56,750.00	52,842.00	3,908.00
Tax Commissioners & Appraisers	122,707.00	122,707.00	122,378.31	328.69
Courthouse Upkeep & Utilities	9,332.00	9,332.00	7,395.76	1,936.24
General Operations	63,902.00	63,902.00	83,932.70	(20,030.70)
Registrar's Office	14,455.00	14,455.00	18,232.27	(3,777.27)
Total General Government	342,120.00	342,120.00	360,646.19	(18,526.19)
JUDICIAL				
Magistrate Court	44,417.00	44,417.00	40,313.19	4,103.81
Probate Court	52,685.00	52,685.00	51,540.00	1,145.00
Superior Court	21,026.00	21,026.00	22,018.89	(992.89)
Clerk of Court	61,411.00	61,411.00	61,872.91	(461.91)
Grand Jury	7,500.00	7,500.00	1,470.00	6,030.00
District Attorney	4,214.00	4,214.00	4,453.63	(239.63)
Jury Expense	-	-	5,658.45	(5,658.45)
Juvenile Court and Supervision	7,789.00	7,789.00	3,963.36	3,825.64
Total Judicial	199,042.00	199,042.00	191,290.43	7,751.57
PUBLIC SAFETY				
Sheriff and Jail Expenditures	396,946.00	396,946.00	441,517.02	(44,571.02)
Fire Department	26,035.00	26,035.00	14,209.49	11,825.51
Coroner	5,900.00	5,900.00	5,275.03	624.97
Emergency Management	1,275.00	1,275.00	2,079.44	(804.44)
Ambulance Service	155,978.00	155,978.00	152,942.79	3,035.21
Middle Flint E-911	-	-	5,623.16	(5,623.16)
Total Public Safety	586,134.00	586,134.00	621,646.93	(35,512.93)
PUBLIC WORKS				
Roads and Bridges	274,709.00	274,709.00	345,525.45	(70,816.45)
Landfill / Sanitation	25,500.00	25,500.00	6,223.86	19,276.14
Total Public Works	300,209.00	300,209.00	351,749.31	(51,540.31)
HEALTH AND WELFARE				
Health Department	22,787.00	22,787.00	21,823.45	963.55
Family and Children Services	11,840.00	11,840.00	9,074.40	2,765.60
Total Health and Welfare	34,627.00	34,627.00	30,897.85	3,729.15
CULTURE AND RECREATION				
Recreation	\$ 13,837.00	\$ 13,837.00	\$ 13,223.67	\$ 613.33
Library	20,259.00	20,259.00	25,527.27	(5,268.27)
Senior Citizens Center	14,400.00	14,400.00	14,400.00	-
Total Culture and Recreation	48,496.00	48,496.00	53,150.94	(4,654.94)

(Continued)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE--BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Revised Budget	Actual	Variance with Final Budget
<u>HOUSING AND DEVELOPMENT</u>				
Extension Service	25,909.00	25,909.00	25,861.18	47.82
Forestry Commission	3,132.00	3,132.00	3,132.00	-
Total Housing and Development	29,041.00	29,041.00	28,993.18	47.82
Total Expenditures	1,539,669.00	1,539,669.00	1,638,374.83	(98,705.83)
Other Financial Sources				
Prior Year Carryover	105,000.00	105,000.00	-	(105,000.00)
Proceeds from Insurance Claim	-	-	14,294.00	14,294.00
Sale of Surplus	5,000.00	5,000.00	3,710.00	(1,290.00)
Sale of Assets	1,000.00	1,000.00	-	(1,000.00)
Tax Sales	2,000.00	2,000.00	-	(2,000.00)
Repayment of Shop Debt	25,000.00	25,000.00	-	(25,000.00)
Reimbursement from SPLOST	15,300.00	15,300.00	5,083.85	(10,216.15)
Other			270.69	270.69
Transfer out			(1,822.51)	(1,822.51)
Total Other Financial Sources	153,300.00	153,300.00	21,536.03	(131,763.97)
Net Change in Fund Balances	-	-	(247,089.27)	(247,089.27)
Fund Balance at July 1, 2004	604,887.26	604,887.26	604,887.26	-
Fund Balance at June 30, 2005	\$ 604,887.26	\$ 604,887.26	\$ 357,797.99	\$(247,089.27)

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Enterprise Fund			
	Water Fund	Maintenance Fund	Sanitation Fund	Total
ASSETS				
Current Assets				
Cash	\$ (24,917.55)	\$ (27,306.53)	\$ (2,094.09)	\$ (54,318.17)
Accounts Receivable	7,438.03	35,360.33	11,810.30	54,608.66
Inventory	40,882.56	7,688.98	-	48,571.54
Due from General Fund	19,142.60	-	31,561.41	50,704.01
Total Current Assets	42,545.64	15,742.78	41,277.62	99,566.04
Noncurrent Assets:				
Cash - Customer Deposits	20,943.77	-	-	20,943.77
Construction in Process	113,373.41	-	-	113,373.41
Capital Assets				
Land	10,000.00	-	-	10,000.00
Building	20,796.25	161,916.54	-	182,712.79
Machinery, Equipment and Vehicles	117,141.85	98,982.81	-	216,124.66
Furniture & Fixtures	10,205.80	5,854.82	-	16,060.62
Water Plant and Wells	6,327,191.26	-	-	6,327,191.26
Total Capital Assets	6,485,335.16	266,754.17	-	6,752,089.33
Less: Accumulated Depreciation	(199,040.89)	(51,107.07)	-	(250,147.96)
Capital Assets, net of depreciation	6,286,294.27	215,647.10	-	6,501,941.37
Total Noncurrent Assets	6,420,611.45	215,647.10	-	6,636,258.55
Total Assets	6,463,157.09	231,389.88	41,277.62	6,735,824.59
LIABILITIES				
Current Liabilities:				
Accounts Payable	16,805.87	28,004.74	42,507.36	87,317.97
Compensated Absences	-	1,771.72	904.29	2,676.01
Notes Payable Bank	451,000.00	-	-	451,000.00
Notes Payable FHA Bonds	16,267.51	-	-	16,267.51
Total Liabilities	484,073.38	29,776.46	43,411.65	557,261.49
Long-Term Liabilities:				
Due to General Fund	-	420,378.96	-	420,378.96
Due to SPOST Fund	14,480.00	-	-	14,480.00
Customer Water Deposits	18,095.00	-	-	18,095.00
Compensated Absences	-	4,086.02	1,648.88	5,734.90
Notes Payable FHA Bonds	1,560,294.72	-	-	1,560,294.72
Total Long-Term Liabilities	1,592,869.72	424,464.98	1,648.88	2,018,983.58
Total Liabilities	2,076,943.10	454,241.44	45,060.53	2,576,245.07
NET ASSETS				
Investment in capital assets, net of related debt	4,823,105.45	215,647.10	-	5,038,752.55
Unrestricted	(436,891.46)	(438,498.66)	(3,782.91)	(879,173.03)
Total Net Assets	\$ 4,386,213.99	\$ (222,851.56)	\$ (3,782.91)	\$ 4,159,579.52

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Enterprise Fund			
	Water Fund	Maintenance Fund	Sanitation Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 75,790.06	\$ 267,319.77	\$ 122,871.04	\$ 465,980.87
Miscellaneous	6,000.00	-	-	6,000.00
Total Operating Revenues	81,790.06	267,319.77	122,871.04	471,980.87
OPERATING EXPENSES				
Personal Services	76,719.81	81,473.68	28,631.70	186,825.19
Material & Supplies	34,758.05	185,034.82	-	219,792.87
Maintenance, Operations & Contracted	58,435.77	23,179.54	173,046.03	254,661.34
Depreciation	143,018.84	16,017.67	-	159,036.51
Total Operating Expenses	312,932.47	305,705.71	201,677.73	820,315.91
Operating Income (Loss)	(231,142.41)	(38,385.94)	(78,806.69)	(348,335.04)
NON-OPERATING REVENUE (EXPENSE)				
Insurance Premium Tax	-	-	89,973.01	89,973.01
Transfer from General Fund	-	-	-	-
Grants	6,000.00	-	-	6,000.00
Interest Expense	(82,329.34)	-	-	(82,329.34)
Interest Revenue	269.56	-	-	269.56
Net Non-Operating Revenue (Expense)	(76,059.78)	-	89,973.01	13,913.23
Change in Net Assets	(307,202.19)	(38,385.94)	11,166.32	(334,421.81)
NET ASSETS, beginning of year	4,693,416.18	(184,465.62)	(14,949.23)	4,494,001.33
NET ASSETS, end of year	\$ 4,386,213.99	\$ (222,851.56)	\$ (3,782.91)	\$ 4,159,579.52

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Enterprise Fund			
	Water Fund	Maintenance Fund	Sanitation Fund	Total
CASH FLOW FROM OPERATING ACTIVITY				
Cash Received from Customers	\$ 70,224.45	\$ 255,018.50	\$ 119,740.74	\$ 444,983.69
Cash Payments to Suppliers for Materials and Supplies	(29,505.24)	(173,480.65)	-	(202,985.89)
Cash Payments to Employees for Services	(85,890.86)	(70,214.74)	(30,210.79)	(186,316.39)
Maintenance, Operating & Contract Services	(46,622.87)	(22,993.62)	(151,312.04)	(220,928.53)
Other Operating Revenues	6,000.00	-	-	6,000.00
Customer Water Deposit	1,860.00	-	-	1,860.00
Net Cash Provided (Used) by Operating Activities	(83,934.52)	(11,670.51)	(61,782.09)	(157,387.12)
CASH FLOWS FOR NON-CAPITAL FINANCING ACTIVITIES				
Loans from SPLOST Fund	21,720.00	-	-	21,720.00
Payments of Loans from SPLOST Fund	(7,240.00)	-	-	(7,240.00)
Loans from General Fund	98,807.00	-	(32,800.00)	66,007.00
Payments of Loans from General Fund	(37,000.00)	-	-	(37,000.00)
Proceeds from Short-Term Bank Loan	451,000.00	-	-	451,000.00
Payments on Short-Term Bank Loan	(324,999.80)	-	-	(324,999.80)
Interest Paid on Short-Term Bank Loans	(15,101.73)	-	-	(15,101.73)
Insurance Premium Tax	-	-	89,973.01	89,973.01
Net Cash Provided by Non-Capital Financing Activities	187,185.47	-	57,173.01	244,358.48
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Paid on Long-Term Debt	(71,329.96)	-	-	(71,329.96)
Additions to Water System	(240,671.40)	-	-	(240,671.40)
Land Purchased	(10,000.00)	-	-	(10,000.00)
Reduction in Long-Term Debt	(15,550.04)	-	-	(15,550.04)
Grants for Water Fund Construction	222,629.46	-	-	222,629.46
Net Cash Provided (Used) by Capital and Related Financing Activities	(114,921.94)	-	-	(114,921.94)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	269.56	-	-	269.56
Net Cash Provided (Used) by Investing Activities	269.56	-	-	269.56
Net Increase (Decrease) in Cash and Cash Equivalents	(11,401.43)	(11,670.51)	(4,609.08)	(27,681.02)
Cash and Cash Equivalents at June 30, 2004	7,427.65	(15,636.02)	2,514.99	(5,693.38)
Cash and Cash Equivalents at June 30, 2005	(3,973.78)	(27,306.53)	(2,094.09)	(33,374.40)
Displayed as:				
Cash	\$ (24,917.55)	\$ (27,306.53)	\$ (2,094.09)	\$ (54,318.17)
Cash - Customer Deposits	20,943.77	-	-	20,943.77
	<u>\$ (3,973.78)</u>	<u>\$ (27,306.53)</u>	<u>\$ (2,094.09)</u>	<u>\$ (33,374.40)</u>

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2005

	Enterprise Fund			
	Water Fund	Maintenance Fund	Sanitation Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (231,142.41)	\$ (38,385.94)	\$ (78,806.69)	\$ (348,335.04)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities :				
Depreciation	143,018.84	16,017.67	-	159,036.51
(Increase) Decrease in Accounts Receivable	(3,047.30)	(12,301.27)	(3,130.30)	(18,478.87)
(Increase) Decrease in Inventories	5,222.81	1,655.61	-	6,878.42
(Increase) Decrease in Due from General Fund	(1,231.12)	10,059.46	(499.20)	8,329.14
Increase (Decrease) in Customer Deposits	(658.31)	-	-	(658.31)
Increase (Decrease) in Accounts Payable	10,424.37	10,084.48	20,649.77	41,158.62
Increase (Decrease) in Accrued Interest Payable				
Increase (Decrease) in Due to Other Funds	-	-	-	-
Increase (Decrease) in Compensated Absences	(6,521.40)	1,199.48	4.33	(5,317.59)
Net Cash Provided By (Used In) Operations	<u>(83,934.52)</u>	<u>(11,670.51)</u>	<u>(61,782.09)</u>	<u>(157,387.12)</u>

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
June 30, 2005

	Agency Funds
ASSETS	
Cash	\$109,405.87
Taxes Receivable (net of doubtful accounts \$6,500)	58,821.77
	<hr/>
Total Assets	\$ 168,227.64
	<hr/> <hr/>
LIABILITIES	
Due to Others	\$168,227.64
	<hr/>
Total Liabilities	\$ 168,227.64
	<hr/> <hr/>

See accompanying notes to financial statements.

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1 – Summary of Significant Accounting Policies

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

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

1-A. Reporting Entity

Schley County was established in 1857. Schley County operates under a county commissioner form of government with four elected commissioners to represent the four districts in the county and one elected commissioner elected at large to serve as chairman. The commissioners, who serve on a part-time basis, are elected to staggered terms of four years. They have hired a County Administrator who is responsible for day-to-day operations of the Government. The Board of County Commissioners' regular monthly meeting is held on the second Tuesday night of each month.

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

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

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

provide financial support to the organization; or the County is obligated for the debt of the organization.

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

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

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

Schley County Health Department (Health Department) – The Health Department provides health care services and health education to residents of Schley County. The Health Department received financial support from Schley County, Georgia, the State of Georgia and the Federal Government. The County Commission appoints a Board of Directors. The Health Department issued separately audited financial statements with a fiscal year ended June 30, 2005 and copies of these financial statements may be obtained from their administrative office at:

Schley County Health Department
45 W. Oglethorpe St., Suite B
P.O. Box 346
Ellaville, Georgia 31806

1-B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

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

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

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

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

General Fund – The general fund accounts for all financial resources except those required to be accounted for in other funds. The general fund's fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Georgia.

Special 1% Sales Tax Fund – This fund is used to collect a special 1% sales tax to pay for building improvements for fire, recreation and road department equipment according to the project based budget.

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

Water – This fund is used for the operation of the County's water which renders services to the residents and businesses located with the County.

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

Maintenance Fund – This fund is used to provide vehicle and equipment maintenance for the County, City of Ellaville, County School, and the Regional E-911 Authority. Each separate governmental body is billed monthly for work performed or equipment and vehicles.

Fiduciary Funds – The County's fiduciary funds are agency funds. Constitutional officers use these funds to account for the collection and

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

disbursement of monies on behalf of other governments and individuals, such as ad valorem and property tax, court fees, and fines. Fiduciary Fund reporting focuses on net assets. These agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

1-C. Measurement Focus and Basis of Accounting

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

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

Property taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

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

1-D. Assets, Liabilities and Fund Equity

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

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the county.

Investments are stated at fair value based on quoted market prices.

Schley County, in accordance with Georgia law, authorizes the county to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the government or governmental agency
- Obligations of any corporation of the government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Any investment or deposit in excess of the Federal Deposit Insurance Corporation (FDIC) insured amount must be secured by 110% of an equivalent amount of State or U.S. obligations.

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

1-D-2. Receivables and Payables

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

1-D-3. Interfund Receivables and Payables

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

1-D-4. Consumable Inventories

On the government-wide financial statements and the fund financial statements, inventories are presented at the lower of cost (first-in, first-out basis) or market. Inventories of the proprietary funds are expensed when used (i.e., the consumption method). Inventory items of the governmental fund types are recorded as an expenditure when purchased (i.e. the purchasing method).

1-D-5. Capital Assets

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

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

**SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise funds is capitalized.

All reported capital assets are depreciated except for land, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	20 years	20 years
Buildings and Plant	50 years	45 - 50 years
Machinery and equipment	5 - 12 years	5 - 10 years
Vehicles	4 - 8 years	6 years

1-D-6. Compensated Absences

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

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

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

1-D-7. Accrued Liabilities and Long-term Obligations

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

In the fund financial statements, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

financial resources are reported as obligations of these funds. The face amount of long-term debt issued is reported as other financing sources. Debt service expenditures are recognized as a liability in the governmental fund financial statements when due.

1-D-8 Bond Premiums, Discounts and Issuance Costs

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

1-D-9. Fund Equity

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance which are legally segregated for a specific future use, or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations demonstrate management's intent to set aside these resources for specific services.

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

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

SCHLEY COUNTY, GEORGIA
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1-D-10. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-D-11. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

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

1-D-12. Estimates

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

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information

Schley County adopts an annual appropriated budget for the general fund on a basis consistent with generally accepted accounting principles accounting. The budget resolution reflects the total of each department's appropriation in each fund. Annual operating budgets are adopted for the water fund, the sanitation fund and the maintenance fund for planning, control and evaluation purposes.

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

**SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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- The County Administrator may transfer funds from one object or purpose to another within the same department.
- The Commissioners may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year for all budgeted funds.

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

Total General Fund Expenditures of \$1,638,375 exceeded Appropriations of \$1,539,669 by \$98,706.

The following budget categories experienced material budget overages:

	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
General Operations	\$ 63,902.00	\$ 83,932.70	\$ 20,030.70
Registrar's Office	14,455.00	18,232.27	3,777.27
Jury Expense	0	5,658.45	5,658.45
Sheriff and Jail Expense	396,946.00	441,517.02	44,571.02
Middle Flint E-911	0	5,623.16	5,623.16
Roads and Bridges	274,709.00	345,525.45	70,816.45
Regional Public Library	20,259.00	25,527.27	5,268.27

The overage in General Operations was primarily due to installation of fencing around the Middle Flint E-911 Center; the Registrar's Office was primarily due to temporary employee wages; the Sheriff and Jail overage was caused primarily to the cost of the Livescan System for the Jail for which grant funds were received and higher fuel and operating costs; Middle Flint E-911 dues were not budgeted; the Roads and Bridges Department overage was primarily due to unexpected repair and operating costs plus cost of culverts for some of which were sold the proceeds of which have been reported in revenue; the overage in the Regional Library was due to unbudgeted contribution for operations.

For future years the Commissioners will emphasize cost controls and submit budget amendments as necessary.

2-B. Deficit Fund Equity

The SPLOST fund had a deficit fund balance of \$127,822.22 as of June 30, 2005. This deficit will be eliminated by future collection of special purpose 1% sales tax.

In the Enterprise Fund, The Maintenance Fund had a deficit of \$222,851.56 which will be eliminated by forgiveness of debt from the General Fund. The Sanitation Fund had a deficit of \$3,782.91 which will be eliminated by revenues from fees.

**SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 3 – Deposits and Investments

Deposits – The bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the County or by its agent in its name, 2) cash collateralized with securities held by the pledging financial institution’s trust department or agent in the County’s name, and 3) uncollateralized bank accounts including any bank balance that is collateralized with securities held by the pledging institution’s trust department or agent but not in the County’s name.

The County’s deposits are classified as follows at June 30, 2005:

	Category			Bank Balance	Carrying Amount
	1	2	3		
Primary Government	\$ -	\$174,009	\$ -	\$ 174,009	\$ 189,698
Component Unit: Schley County Health Department	\$ 43,506	\$ -	\$ -	\$ 43,506	\$ 38,799

Primary government cash and cash equivalents reconciliation:

Balances per financial statements:	
Cash - Governmental Funds	\$ 113,666
Cash - Proprietary Fund Type	(54,318)
Cash – Proprietary Fund Type (restricted)	20,944
Cash - Fiduciary Funds	<u>109,406</u>
Total Carrying Amount	<u>\$ 189,698</u>

Note 4 – Receivables

Receivables at June 30, 2005, consist of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from advances.

Property taxes attach as an enforceable lien on property as of April 28, 2005. Taxes for the 2004 digest were billed on October 1, 2004 and had a due date of December 20, 2004. The County bills and collects its own property taxes as well as taxes for the State and County School District. Collections of the county taxes and remittance of them to the County are accounted for in the Tax Commissioners Agency Fund.

SCHLEY COUNTY, GEORGIA
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Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 200,470	\$ -	\$ -	\$ 200,470
Construction in progress	<u>3,462</u>	<u>8,084</u>	<u>-</u>	<u>11,546</u>
Total Capital Assets, not being depreciated	<u>203,932</u>	<u>8,084</u>	<u>-</u>	<u>212,016</u>
Capital Assets, being depreciated:				
Buildings	1,127,297	-	-	1,127,297
Machinery and equipment	856,366	196,492	(22,840)	1,030,018
Furniture and fixtures	<u>150,354</u>	<u>1,533</u>	<u>-</u>	<u>151,887</u>
Total capital assets, being depreciated	<u>2,134,017</u>	<u>198,025</u>	<u>(22,840)</u>	<u>2,309,202</u>
Accumulated depreciation:				
Buildings	405,373	22,864	-	428,237
Machinery and equipment	526,397	66,934	(8,565)	584,766
Furniture and fixtures	<u>150,354</u>	<u>176</u>	<u>-</u>	<u>150,530</u>
Total accumulated depreciation	<u>1,082,124</u>	<u>89,974</u>	<u>(8,565)</u>	<u>1,163,533</u>
Total capital assets, being depreciated, net	<u>1,051,893</u>	<u>108,051</u>	<u>(14,275)</u>	<u>1,145,669</u>
Governmental activities capital assets, net	<u>\$1,255,825</u>	<u>\$ 116,135</u>	<u>\$ (14,275)</u>	<u>\$ 1,357,685</u>
Governmental activities depreciation expense:				
General government			\$ 6,945	
Public safety			40,705	
Public works			33,805	
Health and welfare			6,638	
Culture and recreation			<u>1,881</u>	
Total governmental activities depreciation expense			<u>\$ 89,974</u>	

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note 5 – Capital Assets (continued)

	Beginning Balance	Additions	Deductions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 10,000	\$ -	\$ 10,000
Construction in Progress	26,666	86,707	-	113,373
Total Capital Assets, not being depreciated	26,666	96,707	-	123,373
Capital assets, being depreciated:				
Building and plant	182,713	-	-	182,713
Machinery and equipment	216,124	-	-	216,124
Furniture and fixtures	16,060	-	-	16,060
Water plant and wells	6,327,191	-	-	6,327,191
Total capital assets, being depreciated	6,742,088	-	-	6,742,088
Accumulated depreciation:				
Building and plant	11,867	4,014	-	15,881
Machinery and equipment	28,079	26,873	-	54,952
Furniture and fixtures	2,328	1,606	-	3,934
Water plant and wells	48,837	126,544	-	175,381
Total accumulated depreciation	91,111	159,037	-	250,148
Business-type activities capital assets, net	6,650,977	159,037	-	6,491,940
Business-type activities capital assets, net	\$6,677,643	\$ (62,330)	\$ -	\$6,615,313
Business-type activities depreciation expense:				
Water Fund			\$ 143,019	
Maintenance Fund			16,018	
Sanitation Fund			-	
Total Business-type activities depreciation expense			\$ 159,037	
Discretely Presented Component Unit:				
Schley County Health Department				
Machinery & Equipment	\$ 43,273	\$ -	\$ -	\$ 43,273
Less: Accumulated Depreciation	(43,273)			(43,273)
Schley County Health Department	\$ 0	\$ 0	\$ 0	\$ 0

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note 6 – Interfund Balances and Transfers

Due to/from other funds:

Interfund balances at June 30, 2005, consisted of the following amounts and represent operating loans, charges for services, or reimbursable expenses. The County expects to repay all interfund balances within one year, except the Maintenance Fund.

Payable to General Fund - from:	
Special 1% Sales Tax Fund	\$ 93,554.29
Water Fund (operating loans)	61,807.00
Maintenance Fund	420,378.96
Sanitation Fund	<u>1,238.59</u>
 Total	 <u><u>\$ 576,978.84</u></u>

Payable to Water Fund - from:	
General Fund	<u>\$ 80,949.60</u>

Payable to Sanitation Fund – from:	
General Fund (operating loans)	<u>\$ 32,800.00</u>

Payable to Special 1% Sales Tax Fund – from:	
Water Fund (operating loans)	<u>\$ 14,480.00</u>

In 2002, the General Fund advanced funds to the Maintenance Fund of \$230,924.29 to purchase equipment and build maintenance shop for this enterprise fund. The General Fund has also advanced \$179,395.21 to this fund for operating expenses over the last four years. No contributed capital has been made to the maintenance fund. These advances are not expected to be reimbursed to the county.

On July 21, 2003, the General Fund advanced \$279,136.76 to the Special 1% Sales Tax Fund to provide capital funds to purchase equipment that was budgeted to be purchased from the 1% Special Sales Tax. The advance will be reimbursed to the County from the 1% Sales Tax revenues. During the year ended June 30, 2005 the Special 1% Sales Tax Fund repaid \$85,000.00, but added \$582.46. \$100,000 was repaid in the previous year.

During the fiscal year 2005, the Special 1% Sales Tax Fund loaned \$21,720 to the Water Fund to provide funds to make debt service payments and the Water Fund repaid \$7,240 before June 30, 2005.

SCHLEY COUNTY, GEORGIA
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In 2003, funds were advanced to the General Fund from the Water Fund to purchase equipment. No cash payment was made on this advance during the year ended June 30, 2005, however, in 2004, the Water Fund purchased a vehicle from the General Fund for \$17,899 which was applied to the advance account balance.

Interfund Transfers reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Special Revenue Fund	General Fund	\$ 1,822.51
Special Revenue Fund	Sheriff Fiduciary Fund	<u>1,005.10</u>
	Total	<u>\$ 2,827.61</u>

The 1% Sales Tax Fund transferred \$5,083.85 of cash to the General Fund to reimburse the General Fund for prior year expenditures which were approved to be funded with Special Purpose Sales Tax receipts.

Note 7 – Long-Term Debt

Primary Government

Changes in Long-Term Debt – Changes in the County's long-term obligations consisted of the following for the year ended June 30, 2005:

	<u>Outstanding</u> <u>6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>6/30/2005</u>	<u>Amounts</u> <u>Due</u> <u>in one Year</u>
Governmental Activities:					
Compensated Absences	\$ 43,579	\$ 14,834	\$(21,865)	\$ 36,548	\$ 6,518
Landfill Closure Cost	<u>268,245</u>	<u>136,347</u>	<u>(34,004)</u>	<u>370,588</u>	<u>140,443</u>
Total Governmental Activities	<u>\$ 311,824</u>	<u>\$ 151,181</u>	<u>\$(55,869)</u>	<u>\$ 407,136</u>	<u>\$ 146,961</u>
Business-Type Activities:					
Compensated Absences	\$ 13,728	\$ 6,087	\$(11,404)	\$ 8,411	\$ 2,676
Water Revenue Bonds	<u>1,592,112</u>	<u>-</u>	<u>(15,550)</u>	<u>1,576,562</u>	<u>16,268</u>
Total Business-Type Activities	<u>\$ 1,605,840</u>	<u>\$ 6,087</u>	<u>\$(26,954)</u>	<u>\$ 1,584,973</u>	<u>\$ 18,944</u>

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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Principal and interest payments related to the County's water enterprise fund are financed from income derived from the operation of the water system.

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

Landfill post closure costs: In 1996 the Schley County Municipal Solid Waste Landfill (MSWLF) was closed following EPD Guidelines. In accordance with state and Federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. The County has contracted with a geotechnical, environmental and construction materials consultant to conduct post-closure monitoring and assessment. This work includes routine monitoring activity and contamination assessment. Based on the consultant's projections dated June 5, 2005, for the next five years, management has estimated \$370,588 as the amount necessary to perform future closure and post closure functions. Actual costs may be higher due to changes in inflation, technology or applicable laws or regulations.

Revenue Bonds: On April 9, 2003 Schley County issued Water Revenue Bonds, Series 2003, in the principal amount of \$1,594,600 to finance part of the cost of a county-wide water distribution, commonly referred to as Phase One. The registered owner of the Bonds is the United States Department of Agriculture, Rural Development. The Bonds are secured by a first and prior pledge of and charge or lien on the revenues of the Water System of Schley County. The principal and interest on the Series 2003 Bonds shall be payable over a period not to exceed 40 years from the date of issuance and delivery. The Resolution required an interest only payment of \$71,757 on the first anniversary. Beginning with the month following the interest only payment, the County is to make monthly installments of \$7,240 which includes interest at 4.50% for a maximum of 468 payments.

In accordance with the issuing Resolution the County has established a Sinking Fund and as of June 30, 2005 had deposited into it \$2.18. No transactions have been applied to this account since its inception. The monthly bond installment payments are made by electronic funds transfer from the Water System Bond Payment Account directly to the USDA.

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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The following schedule presents annual payment amortization for the next five years, and in five year increments thereafter for the life of the bonds:

	<u>Interest</u>	<u>Principal</u>
July 1, 2005 to June 30, 2006	\$ 70,612.49	\$ 16,267.51
July 1, 2006 to June 30, 2007	69,865.18	17,014.82
July 1, 2007 to June 30, 2008	69,083.52	17,796.48
July 1, 2008 to June 30, 2009	68,265.95	18,614.05
July 1, 2009 to June 30, 2010	67,410.83	19,469.17
July 1, 2010 to June 30, 2015	322,787.32	111,612.68
July 1, 2015 to June 30, 2020	294,683.73	139,716.27
July 1, 2020 to June 30, 2025	259,503.77	174,896.23
July 1, 2025 to June 30, 2030	215,465.68	218,934.32
July 1, 2030 to June 30, 2035	160,338.87	274,061.13
July 1, 2035 to June 30, 2040	91,331.43	343,068.57
July 1, 2040 to June 30, 2043	14,692.43	225,111.00
Total		<u>\$ 1,576,562.23</u>

Component Unit
Schley County Health Department

Long-term activity for the year ended June 30, 2005 was as follows:

	<u>Outstanding</u> <u>6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>6/30/2005</u>
Governmental Activities:				
Compensated Absences	\$ 11,522	\$ 0	\$ (4,977)	\$ 6,545

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

Note 8 – Short-Term Debt

Primary Government

Changes in Short-Term Debt – The following schedule presents changes in short-term debt during the year ended June 30, 2005. The debt was incurred to assist with cash flow and operations of the General Fund and the Water Fund.

	<u>Outstanding</u> <u>6/30/2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>6/30/2005</u>
Governmental Activities:				
Tax Anticipation Note	<u>\$ - 0 -</u>	<u>\$ 300,400</u>	<u>\$(100,200)</u>	<u>\$ 200,200</u>
Business-Type Activities:				
Bank Loans	<u>\$ 325,000</u>	<u>\$ 451,000</u>	<u>\$(325,000)</u>	<u>\$ 451,000</u>

**SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 8 – Short-Term Debt (continued)

As of June 30, 2005, the County Board of Commissioners had made the following short-term loans with a local bank:

for the **General Fund** to provide operating cash. General government revenues were or will be used to repay the loans.

Term loan dated June 30, 2005; matures December 31, 2005. Interest accrues at 5.75% per annum payable at maturity.	<u>\$200,200.00</u>
--	---------------------

On August 27, 2004, the Board of Commissioners obtained a \$100,200 loan from a local bank to provide additional cash flow. The note carried interest at 4.00% and matured and was paid in full on December 31, 2004.

for the **Water Fund** to provide operating cash. Revenues from the Water Fund will be used to repay these loans.

Term loan dated January 31, 2005; matures January 31, 2006. Interest accrues at 4.75% per annum payable at maturity.	\$125,400.00
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Term loan dated January 31, 2005; matures January 31, 2006. Interest accrues at 4.75% per annum payable at maturity.	200,400.00
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Term loan dated May 20, 2005; matures December 31, 2005. Interest accrues at 6.00% per annum payable at maturity.	<u>125,200.00</u>
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Total Water Enterprise Fund Short-term bank loans	<u>\$ 451,000.00</u>
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The bank did not list any specific collateral for the above short-term loans except to state that “collateral securing other loans with you will also secure this loan”.

Note 9 – Retirement Plan

The County sponsors the Association County Commissioners of Georgia (“ACCG”) Schley County Defined Benefit Plan, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia.

The specific benefit provisions of the plan were established by an adoption agreement executed by the County Board of Commissioners. The Plan provides for benefits upon retirement, death, disablement, and termination of employment,

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
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if certain eligibility conditions are met. GASB #25 Financial Reports for the Schley County Retirement Plan for fiscal year ending December 31, 2004 were prepared by the GEB Corp., 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339 and are available at the Schley County Board of Commissioners Office in Ellaville, Georgia.

Contributions

The County is required to contribute at an actuarially determined rate, which for the fiscal year ended December 31, 2004 was \$25,174. Section 47-20 of the Georgia Code sets forth the minimum funding standard for state and local governmental pension plans. The annual county contribution meets or exceeds the minimum funding requirements of Georgia Statute 47-20. Administrative expenses are based on the total covered compensation of active plan participants and are added to the state-required annual requirement. Plan participants are not required to contribute to the plan.

The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time the contribution rates for the County and its plan participants.

Participant counts as of January 1, 2004 (the most recent actuarial valuation date) and covered compensation (based on covered earnings for the preceding year) are as follows:

Retirees, Beneficiaries and Disables receiving benefits	0
Terminated plan participants entitled to but not yet Receiving benefits	0
Active employees participating in the Plan	9
Total number of Plan Participants	9
Covered compensation for active participants	\$ 246,502

Actuarial Present Value of Accumulated Plan Benefits as of December 31, 2004:

Vested	
Retirees (and others in pay status)	\$ 0
Deferred Vested (former employees)	0
Vested Active Participants	146,676
Total	\$ 146,676
Non-vested	9,094
Total	\$ 155,770
Effect of Future Salary Increases	\$ 28,560
Total Actuarial Accrued Liability	\$ 184,330

SCHLEY COUNTY, GEORGIA
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Net Assets Available for Benefits (including receivables)	\$ 36,365
Net Assets in Excess of Actuarial Present Value of Accumulated Plan Benefits	(\$ 119,405)
Principal Actuarial Assumptions	
Investment Return	8.0%
Rate of Future Salary Increases	5.0%
(not applicable to Accumulated Plan Benefits calculations)	

Actuarial Methods and Assumptions used in the Valuation

Valuation Date	January 1, 2004
Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Market Value
Amortization Method	Level Percent of Pay (closed)
Remaining Amortization Period	10

(Represents the estimated amortization period for all unfunded liabilities combined into one amortization base)

Actuarial Assumptions	
Assumed Rate of Return on Assets	8.0%
Expected Future Salary Increases	5.0%
Expected Inflation	3.0%

(Actuarial assumptions shown above include expected inflation of 3.0% per annum)

Schedule of Employer Contributions

Year Ended <u>12/31</u>	Annual Pension Cost	Percentage Contributed
2003	\$ 9,463	137.4%
2004	25,174	48.4%

Schedule of Funding Progress

Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (ALL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Annual Covered Payroll (Prior year)	(6) UAAL as a Percentage of Covered Payroll (4) / (5)
12/31/03	\$ 12,209	\$ 163,482	7.5%	\$ 151,273	\$ 244,178	62.0%
12/31/04	36,365	184,330	19.7%	147,965	246,502	60.0%

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note 10 – Deferred Compensation Plan

Schley County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the Governmental Employee Benefits Corporation of Georgia, 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339. The plan is available to all the county employees and permits them to defer a portion of their salary until future years. As a result of legislative changes, all amounts of compensation deferred, all property rights purchased and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

The County participates in the plan for employees that have been employed for at least three(3) years. The County will contribute 3% of the employees gross pay to the plan. After 5 years employment, the County will contribute 4%. The county contributions increase as time in service increases (7 years – 6%; 10 years – 8%; 15 years – 10%; 18 years – 12%; 20 years – 14%). Employees may contribute to the plan themselves through payroll deductions. The County made no contribution for 2005.

Note 11 – Other benefit Plans

The County contributes to a volunteer firemen retirement fund administered by the state. During the year Schley County contributed \$2,575.50.

Note 12 – Employee Benefits – Component Unit

Schley County Health Department

Retirement Plan – the employees of the Health Department participate in the Georgia State Employees Retirement System, a multi-employer, defined-contribution plan. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities. The Georgia State Employees Retirement System requires ten years of continuous service to become fully vested. The total retirement contributions to the Georgia State Employees Retirement System for the year ended June 30, 2005 were \$8,057 based on qualifying salaries of \$76,602. Ten year historical trend information and relevant actuarial information may be obtained from the Employees Retirement System of Georgia.

**SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 13 – Equity

Net assets on the government-wide statement of net assets as of June 30, 2005 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Invested in capital assets, net of related debt:		
Cost of capital assets, including construction in process	\$ 2,521,218	\$ 6,865,463
Less: Accumulated depreciation	<u>(1,163,534)</u>	<u>(250,148)</u>
Book Value	1,357,684	6,615,315
Less: Capital related debt and accrued interest	<u>0</u>	<u>(1,576,562)</u>
Invested in capital assets, net of related debt	<u>\$ 1,357,684</u>	<u>\$ 5,038,753</u>

Note 14 – Risk Management

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

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note 15 – Commitments and Contingencies

Litigation:

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

Grant Contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any to be immaterial.

Going Concern:

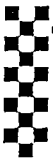
As shown in the accompanying financial statements the County incurred a net loss of \$210,712 in the General Governmental Operations, and a net loss of \$334,422 in the Business-Type Activities, and its total liabilities increased by \$333,406 over 2004 levels. Management and County officials are aware of these deficiencies and have increased water customers, raised water and sanitation rates, and plan to raise rates charged to other local governments for equipment maintenance. Additionally, they have implemented cost control policies.

Note 16 – Jointly Governed Organizations

Joint Ventures

Middle Flint Regional Development Center: Under Georgia law, the County, in conjunction with other cities and counties in the eight county west central Georgia area, is a member of the Middle Flint Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended June 30, 2005, the County paid \$1,812 in such dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 Which provides for the organizational structure of the RDC's in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from: Middle Flint Regional Development Center, 228 West Lamar Street, Americus, Georgia 31709.

Schley County Recreational Authority: Schley County and the City of Ellaville jointly contribute to the Schley County Recreational Authority funds to support the recreation program. During the year ended June 30, 2005, Schley County contributions were \$13,223.67 which includes \$10,000 cash and the use of a county building with utilities and upkeep.



**SCHLEY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

County building for which the County pays utilities and upkeep for the Recreation Authority.

Financial statements for the Schley County Recreational Authority can be obtained from the Schley County Recreational Authority, P.O. Box 1048, Ellaville, Georgia 31806.

Middle Flint regional E-911 Authority: Pursuant to the authority granted in O.C.G.A. Section 46-5-120 et. Seq., Schley County is a "Participating County", together with Dooly, Macon, Marion, Sumter and Taylor Counties, in the Middle Flint Regional E-911 Authority ("Authority"). The Authority maintains custody and control of the equipment and furnishings at the E-911 Center, located in Ellaville, Georgia. Each Participating County holds interest in the title to the equipment in such portion as each County has subscribers as of January 1 of each year. The E-911 Center will receive telephone calls relating to public safety; it will provide emergency call answering services and dispatching. Funding for the E-911 Center is derived from a service charge added to telephone subscribers in the six Participating Counties. Operating costs not covered by the service charge will be paid by the Participating Counties in accordance with their relative number of subscribers.

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

Note 17 – Construction in Process – Water System Phase II

By letter dated May 11, 2004, the United States Department of Agriculture-Rural Development issued a proposal for financing construction of two 500 g.p.m. deep wells, one 300,000 gallon elevated storage tank and approximately 74 miles of water distribution mains to serve portions of northern Schley County and northern Sumter County. The estimated cost of the construction at that date was \$7,112,400 which would be financed by a grant of \$3,000,000 and a loan of \$4,112,400.

At June 30, 2005 the County had incurred \$101,104 of engineering fees. The project has not been bid. Start date for the project has not been set.

The County has contracted with Middle Flint R.D.C. to provide administrative services during the construction period. Costs through June 30, 2005, were \$12,270 which will be paid through a Community Development Block Grant from the Georgia Department of Community Affairs.

Replace Mart Phase - 40 -

SUPPLEMENTARY INFORMATION

**SCHLEY COUNTY, GEORGIA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005**

	<u>Law Library</u>	<u>Drug Forfeiture Fund</u>	<u>Jail Construction Fund</u>	<u>Sheriff's Drug Fund</u>	<u>Jail Inmate Services Fund</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 3,220.06	\$ 750.35	\$ 9,241.61	\$ 1,029.15	\$ 248.98	\$ 14,490.15
Total assets	<u>\$ 3,220.06</u>	<u>\$ 750.35</u>	<u>\$ 9,241.61</u>	<u>\$ 1,029.15</u>	<u>\$ 248.98</u>	<u>\$ 14,490.15</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES						
Unreserved, undesignated	\$ 3,220.06	\$ 750.35	\$ 9,241.61	\$ 1,029.15	\$ 248.98	\$ 14,490.15
Total fund balances	<u>\$ 3,220.06</u>	<u>\$ 750.35</u>	<u>\$ 9,241.61</u>	<u>\$ 1,029.15</u>	<u>\$ 248.98</u>	<u>\$ 14,490.15</u>

SCHLEY COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Law Library	Drug Forfeiture Fund	Jail Construction Fund	Sheriff's Drug Fund	Jail Inmate Services Fund	Total
Revenues						
Intergovernmental	\$ -	\$ -	\$ -	\$ 6,130.00	\$ -	\$ 6,130.00
Fines and forfeitures	3,225.00	320.00	7,789.94	-	-	11,334.94
Interest income	-	5.66	53.85	-	-	59.51
Other revenues	-	-	-	2,519.47	6,154.96	8,674.43
Total revenues	\$3,225.00	\$ 325.66	\$ 7,843.79	\$ 8,649.47	\$ 6,154.96	\$26,198.88
Expenditures						
Current						
Judicial	4.94	0	0	0	0	4.94
Public safety	0	0	0	8,350.13	6,181.27	14,531.40
Total expenditures	4.94	-	-	8,350.13	6,181.27	14,536.34
Excess (deficiency) of revenues over (under) expenditures	3,220.06	325.66	7,843.79	299.34	(26.31)	11,662.54
Other financing sources (uses)						
Transfers in	-	424.69	1,397.82	729.81	275.29	2,827.61
Total other financing sources (uses)	-	424.69	1,397.82	729.81	275.29	2,827.61
Net change in fund balances	3,220.06	750.35	9,241.61	1,029.15	248.98	14,490.15
Fund balances, beginning of year	-	-	-	-	-	-
Fund balances, end of year	\$3,220.06	\$ 750.35	\$ 9,241.61	\$ 1,029.15	\$ 248.98	\$14,490.15

SCHLEY COUNTY, GEORGIA
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 June 30, 2005

ASSETS	Tax Commissioner	Clerk of Court	Sheriff	Probate Court	Magistrate Court	Totals
Cash	\$26,417.66	\$ 76,758.19	\$790.83	\$1,599.25	\$3,839.94	\$109,405.87
Taxes Receivable (less doubtful accounts)	58,821.77	-	-	-	-	58,821.77
Total Assets	\$85,239.43	\$76,758.19	\$790.83	\$1,599.25	\$3,839.94	\$168,227.64
LIABILITIES						
Due to Others	85,239.43	76,758.19	790.83	1,599.25	3,839.94	\$168,227.64
Total Liabilities	\$85,239.43	\$76,758.19	\$790.83	\$1,599.25	\$3,839.94	\$168,227.64

SCHLEY COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
For the Year Ended June 30, 2005

	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
TAX COMMISSIONER				
ASSETS:				
Cash	\$23,557.22	\$2,460,508.86	\$2,457,648.42	\$26,417.66
Taxes Receivable	38,228.75	1,905,572.67	1,878,479.65	65,321.77
Allowance for Uncollected Taxes	(3,800.00)	(2,700.00)		(6,500.00)
Total Assets	\$ 57,985.97	\$ 4,363,381.53	\$ 4,336,128.07	\$ 85,239.43
LIABILITIES:				
Due to General Fund	\$ (0.00)	\$ 877,735.92	\$ 877,735.92	\$0.00
Due to Others	57,985.97	1,597,939.58	1,570,686.12	85,239.43
Total Liabilities	\$ 57,985.97	\$ 2,475,675.50	\$ 2,448,422.04	\$85,239.43
CLERK OF COURT				
ASSETS:				
Cash - Clerk of Court	\$ 1,705.61	\$ 70,425.94	\$ 69,863.99	\$2,267.56
Cash - Clerk of Escrow	83,710.83	138,906.31	148,126.51	74,490.63
Total Assets	\$ 85,416.44	\$ 209,332.25	\$ 217,990.50	\$ 76,758.19
LIABILITIES:				
Due to General Fund	\$ (0.00)	\$ 40,913.51	\$ 40,913.51	\$0.00
Due to Others	85,416.44	168,418.74	177,076.99	76,758.19
Total Liabilities	\$85,416.44	\$209,332.25	\$217,990.50	\$76,758.19
SHERIFF				
ASSETS:				
Cash - Sheriff	47.93	17,059.37	16,316.47	\$790.83
Total Assets	\$47.93	\$17,059.37	\$16,316.47	\$790.83
LIABILITIES:				
Due to General Fund	\$0.00	\$9,968.00	\$9,968.00	\$0.00
Due to Others or from Others	47.93	7,091.37	6,348.47	790.83
Total Liabilities	\$47.93	\$17,059.37	\$16,316.47	\$790.83

(Continued)

SCHLEY COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS
For the Year Ended June 30, 2005

(Continued)

PROBATE JUDGE	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
ASSETS:				
Cash	\$4,570.53	\$87,784.50	\$90,755.78	\$1,599.25
LIABILITIES:				
Due to General Fund	\$0.00	\$53,659.04	\$53,659.04	\$0.00
Due to Others	4,570.53	34,125.46	37,096.74	1,599.25
Total Liabilities	\$4,570.53	\$87,784.50	\$90,755.78	\$1,599.25
MAGISTRATE COURT				
ASSETS:				
Cash	\$4,919.55	\$53,831.22	\$54,910.83	\$3,839.94
LIABILITIES:				
Due to General Fund	\$0.00	\$16,144.46	\$16,144.46	\$0.00
Due to Others	4,919.55	37,686.76	38,766.37	3,839.94
Total Liabilities	\$4,919.55	\$53,831.22	\$54,910.83	\$3,839.94
TOTAL				
ASSETS				
Cash	\$118,511.67	\$2,828,516.20	\$2,837,622.00	\$109,405.87
Taxes Receivable	38,228.75	1,905,572.67	1,878,479.65	65,321.77
Allowance for Uncollected Taxes	(3,800.00)	(2,700.00)	-	(6,500.00)
Total Assets	\$152,940.42	\$4,731,388.87	\$4,716,101.65	\$168,227.64
LIABILITIES				
due to General Fund	(\$0.00)	\$998,420.93	\$998,420.93	\$0.00
Due to Others	152,940.42	1,845,261.91	1,829,974.69	168,227.64
Total Liabilities	\$152,940.42	\$2,843,682.84	\$2,828,395.62	\$168,227.64

**SCHLEY COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
For the Year Ended June 30, 2005**

PROJECT	ORIGINAL ESTIMATED COSTS	PRIOR YEARS	EXPENDITURES CURRENT YEAR	TOTAL	ESTIMATED PERCENTAGE OF COMPLETION
RECREATION					
To Develop Future Fields	\$30,000.00	\$2,732.40	\$8,084.56	\$10,816.96	36%
Tables for Gym			299.00	299.00	
Gym/Building Repair	20,000.00	5,601.54	236.25	5,837.79	28%
FIRE DEPARTMENT					
1/2 cost of Class "A" Pumper Truck	50,000.00		38,962.27	38,962.27	88%
(The following were not identified in the Resolution):					
Radios for Fire Department			5,083.80	5,083.80	
ROAD DEPARTMENT EQUIPMENT					
	255,000.00				96%
Small Dump Truck		19,734.00		19,734.00	
Motor Grader		89,913.33		89,913.33	
Backhoe					
Trencher		38,000.00		38,000.00	
(The following were not identified in the Resolution):					
Post Hole Digger		449.35		449.35	
Van		19,742.00		19,742.00	
Computers		1,415.65		1,415.65	
Radios		1,633.80		1,633.80	
Cat 307B Hydraulic Excavator			33,175.00	33,175.00	
Cat D3C Crawler			20,175.00	20,175.00	
Cat 613 Tractor Motor Scraper			20,000.00	20,000.00	
Sprayer			579.39	579.39	
GENERAL					
	197,000.00				21%
Courthouse repair		729.99		729.99	
Health & Welfare Building Repair		8,600.00		8,600.00	
Other Building Repair		10,625.00	1,925.00	12,550.00	
(The following were not identified in the Resolution):					
2003 Chevrolet Cavalier		9,145.00		9,145.00	
Vehicle for County Administrator		10,650.00		10,650.00	
Check Printing Charge		53.92		53.92	
Bank service charges			140.40	140.40	
AMBULANCE					
	70,000.00	72,456.00		72,456.00	104%
Radios for Ambulance			251.50	251.50	
Total County projects					
	\$622,000.00	\$291,481.98	\$128,912.17	420,394.15	68%
Tax allocation paid to City of Ellaville					
	622,000.00	106,682.89	101,939.22	208,622.11	34%
	\$1,244,000.00	\$398,164.87	\$230,851.39	\$629,016.26	

NOTES:

- The County follows the cash basis of accounting in preparing this schedule. The method is inconsistent with the preparation of the County's financial statements. There are no differences between the current year expenditures for County projects on this page and the information provided on page 6. The amounts reported on this page as "allocated to the City of Ellaville" are cash disbursements for the periods reported. The amounts reported as "Intergovernmental" on page 6 is the total tax paid and payable to the City of Ellaville for the period reported. The amount payable to the City of Ellaville as of June 30, 2004 and 2005 are \$20,371.88 and \$44,492.25 respectively.
- On August 20, 2002 the voters of Schley County approved a special 1% sales tax to become effective January 1, 2003. This Special Purpose Sales Tax is a joint effort with the City of Ellaville, Georgia. The County receives 100% of the distributions from the State of Georgia and in turn distributes 50% of that to the City.
- Unbudgeted expenditures are deemed appropriate by County management under the provisions of the Resolution.

COMPLIANCE SECTION



CHAMBLISS, SHEPPARD, ROLAND & BAXTER, LLP

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

Board of Commissioners of
Schley County, Georgia
Ellaville, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Schley County, Georgia, as of and for the year ended June 30, 2005, which collectively comprise the Schley County, Georgia's basic financial statements and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Schley County, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Schley County, Georgia's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-01 through 50-07.

05

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of

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performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-02 through 05-06 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schley County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items ⁰⁵50-02 through 05-07.

We noted other matters that we reported to management of Schley County, Georgia, in a separate letter dated November 20, 2007.

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

Chambliss, Sheppard, Roland + Baxter LLP

Americus, Georgia
November 20, 2007

SCHLEY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2005

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? X yes ___ no

Reportable condition(s) identified not considered to be material weaknesses? X yes ___ none reported

Noncompliance material to financial statements noted? X yes ___ no

Federal Awards

Not applicable, a single audit was not performed for the year ended June 30, 2005 because the County did not expend \$500,000 or more in federal funds.

Section II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

05-01 Segregation of Duties (Repeat Finding)

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

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

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

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

Management's Comments: We are comfortable with our procedures which include daily oversight by our County Administrator, regular visits by County Commissioners who observe county operations, and General and Proprietary Fund check signing limited to the Commission Chairman.

SCHLEY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2005

05-02 Accounting Procedures and Financial Reporting

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

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

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

Recommendation: Financial reports should be a high priority at every County Commission meeting and it is essential that every commissioner have a basic knowledge of the information that should be presented. Financial reports should provide a reconciliation of beginning and ending cash for each fund.

Management's Response: We concur with the finding. We will improve our financial reporting system to provide the County Commissioners with accurate financial reports.

05-03 Safeguarding of Financial Information

Condition: Financial reports and books or original entry for the period July 1, 2004 through December 31, 2004 were lost because copies were not kept in a permanent and secure place.

Criteria: Internal controls should be in place to insure that copies of all basic books of original entry are safeguarded from loss

Effect: Historical financial reports of the General Fund were lost due to computer breakdown, paper copies were not retained, thus receipts and disbursements and other financial information had to be "re-entered" from the original source document so that financial and accounting records could be prepared for historical and audit purposes. This contributed to delays in completion of the annual audit and timely filing of reports with the State Department of Audits.

Recommendation: Procedures should be followed to insure that books of original entry are stored for easy retrieval.

SCHLEY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2005

Management's Response: We concur with the finding. We will review our filing procedures to insure that our permanent financial records are retained in a secure location and that computer back up is performed.

05-04 Accounting Procedures and Records Maintenance for Agency Funds

Condition: Our audit of the various elected officials for the year ended June 30, 2005 indicated that certain records of accounts payable to (or on behalf of) other parties were not being reconciled to the respective recorded cash balances. This situation was observed on certain accounts maintained at the following elected officials' offices: Tax Commissioner, Clerk of Courts, and Probate Court

Criteria: Because all funds collected by the elected officials are owed to other governments, organizations or individuals, their accounting system is maintained in a purely custodial capacity. In order to maintain a high level trust, it is critical that the record keeping system be designed and maintained to support their fiduciary responsibility.

Context: At the office of the Tax Commissioner, \$26,417.66 remained in the operating account at June 30, 2005, after payment of June receipts. Of this, some \$8,011.95 was reported to us as being held for partial payments of tax. Thus, some \$18,405.71 was unaccounted for. At the Probate Office, the cash account was overdrawn by \$534.70, because bank reconciliations had not been prepared accurately. Also, in the Probate Office fees for copies or researches of vital records were retained by the Probate Judge in accordance with state law, however these fees were not recorded in the Probate Judge's books and records. The Clerk of Court did not prepare and retain an accurate record of the funds held in the Escrow Account.

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

Recommendation: Constitutional Officers should submit statements of undisbursed cash with each of their monthly reports to the County Commissioners.

Management's Response: We believe our record keeping is accurate, however we will strive to improve our reporting.

SCHLEY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2005

05-05 Accounting Procedures and Reporting for SPLOST Funds

Condition: Inappropriate disbursements and inconsistent distribution of funds to the City of Ellaville. Bank account was overdrawn for the month of June 2005.

Criteria: Internal controls were not followed to prevent disbursement of Special Purpose Local Option Sales Tax for purposes not approved in the referendum.

Effect: During the year ended June 30, 2005, loans were made to the Water Fund totaling \$21,720; bank overdraft charges totaled \$140.40; \$44,492.25 of the tax allocated for the City of Ellaville is due. For the period January 1, 2003 through June 30, 2005, approximately \$122,243.31 was used for purchases of equipment and other expenditures not specifically listed in the referendum.

Recommendation: Financial statements (budget vs. actual) of the SPLOST account should be prepared monthly and presented to the County Commissioners. The report should also include actual distributions made to the City of Ellaville.

Management's Response: We believe all expenditures for equipment are within the scope of the referendum. We concur, that certain disbursements were made that were not related to the SPLOST, and these have been or will be repaid immediately. Our attorney has advised us that any cost savings on projects or equipment specifically listed in the referendum could be used to purchase additional items as long as the acquisition was appropriate under the referendum.

05-06 Accounts pursuant to the Schley County Water Revenue Bonds, Series 2003

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

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

Effect: The Debt Service Account (known as the Bond Payment Account) has not been funded on a regular monthly basis as required by Section 502 of the Resolution. During the year ended June 30, 2005, monthly

SCHLEY COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2005

deposits were made for only four months. Deposits to the account for the year totaled \$58,080 (which included a \$21,720 loan from SPLOST). The bank honored electronic drafts from the USDA each month for debt service payments, creating overdraft balances for nine months as high as \$29,054.40. Service charges related to these overdrafts totaled \$241.70 for the year. These overdraft conditions could represent unauthorized bank loans. The Reserve Account has never been funded and as of June 30, 2005 had a balance of \$2.18.

Recommendation: We recommend that the funds required by the Bond Resolution be maintained in accordance with the requirements. If funds are unavailable from monthly revenues, loans should be authorized following County procedures.

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

05-07 Budgets for Special Revenue Funds

Condition: Annual balanced budgets were not adopted for the Law Library Fund or any of the other Special Revenue Funds.

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

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

Recommend: The County should adopt an annual balanced budget for the Law Library and all other special revenue funds.

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

SCHLEY COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2005

Section III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.