

WASHINGTON COUNTY, GEORGIA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	4 - 13
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	14
Statement of Activities	15
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17 - 18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Fiduciary Assets and Liabilities - Fiduciary Funds	22
<i>Notes to Basic Financial Statements</i>	23 - 47
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund	48 - 49
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Emergency 911 Telephone Fund	50

	<u>PAGE</u>
OTHER SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet - Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Recreation Department Special Revenue Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual -Law Library Special Revenue Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual -Transportation Special Revenue Fund	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual -2011 Community Development Block Grant Fund	56
Combining Statement of Net position - Fiduciary Funds	57
Combining Statement of Changes in Assets and Liabilities - Agency Funds	58 - 59
Schedule of Expenditures Compared to Budget (GAAP Basis) - General Fund	60 - 63
Schedule of Expenditures of Federal Awards	64
Notes to the Schedule of Expenditures of Federal Awards	65
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	66 - 67
Schedule of Findings and Questioned Costs	68 - 70
Schedule of Projects Constructed with Special Sales Tax Proceeds	71 - 72
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73- 74

WRIGHT & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
130 NORTH HARRIS STREET • POST OFFICE BOX 1014
SANDERSVILLE, GEORGIA 31082
email: wwpc@wrightandwrightpc.com

CLYDE K. WRIGHT, CPA
BRIAN K. WRIGHT, CPA

TELEPHONE (478) 552-6146
FACSIMILE (478) 552-6158

INDEPENDENT AUDITORS' REPORT

To the County Commissioners
Washington County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Washington County, Georgia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washington County Board of Health which represents 100% of the assets and revenues, respectively, of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund, of Washington County, Georgia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington County, Georgia's basic financial statements. The combining nonmajor fund financial statements, the fiduciary funds combining statement of net assets, the schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Washington County, Georgia.

The combining nonmajor fund financial statements, the fiduciary funds combining statement of net assets, the schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The combining nonmajor fund financial statements, the fiduciary funds combining statement of net assets, the schedule of projects constructed with special sales tax proceeds and the other schedules included in other supplementary information as described in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated October 31, 2013 on our consideration of Washington County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington County, Georgia's internal control over financial reporting and compliance.

Wright & Wright, P.C.

October 31, 2013
Sandersville, Georgia

WASHINGTON COUNTY BOARD OF COMMISSIONERS

P.O. Box 271

Sandersville, Georgia 31082

Phone 478-552-2325 • Fax 478-552-7424

email: washbocomm@bellsouth.net

HORACE DANIEL

Chairman

LARRY MATHIS

District 1

EDWARD BURTEN, JR.

District 2

MELTON JONES

District 3

FRANK SIMMONS, JR.

District 4

CHRIS HUTCHINGS

Administrator/Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Washington County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2013. Please read it in conjunction with the County's financial statements which begin on page 14.

1. USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) provide information about activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. You can think of the County's net position — the difference between assets and liabilities — as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider nonfinancial factors such as changes in the County's property tax base and the condition of the County's roads and other physical assets to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, we divide the County into three kinds of activities:

- Governmental activities—Most of the County's basic services are reported here, including public safety, court system, public works, health & welfare and general administration. Taxes, court fines and intergovernmental revenue finance most of these activities.
- Business-type activities—The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's landfill is reported here.
- The County includes one separate legal entity in its report – the Washington County Health Department. Although legally separate, this “component unit” is important because the County is financially accountable for it. Complete financial statements may be obtained at 201 Morningside Drive, Sandersville, Georgia 31082.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

General government	Business licenses and permits; Qualifying fees; Intangible recording taxes
Public safety	Fines and forfeits; E911 telephone charges and city charges; Housing prisoners; State reimbursements for training
Judicial	All court fines and forfeits; Law library revenue
Public works	Georgia Department of Transportation reimbursements; Pipe and driveway installations
Culture/recreation	Recreation department charges for services; Payments from the County and cities to the Recreation department

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

The Landfill Fund has historically collected revenue amounting to approximately half of the total operating expenditures, including depreciation. The General Fund transfers money to the Landfill Fund to cover the remaining operating costs. During the year ended June 30, 2013, the General Fund transferred \$194,260 to the Landfill Fund.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commissioners establish other funds to help them control and manage money for particular purposes or to show that they are meeting legal responsibilities for using certain taxes, grants, and other money (like the Emergency 911 Telephone Fund and the Capital Projects Fund which account for special purpose local option sales tax revenue). The County's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds—When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or fiduciary, for the offices of Tax Commissioner, Probate Court, Clerk of Courts, Sheriff and Magistrate Court. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 22. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

2. FINANCIAL HIGHLIGHTS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Washington County, assets exceeded liabilities by \$48,588,746 as of June 30, 2013.

The largest portion of the County's net position (73%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 14,324,797	\$ 14,238,876	\$ 1,290,000	\$ 962,746	\$ 15,614,797	\$ 15,201,622
Capital assets	32,463,928	30,872,961	3,413,607	3,246,432	35,877,535	34,119,393
Total assets	46,788,725	45,111,837	4,703,607	4,209,178	51,492,332	49,321,015
Current liabilities	1,527,667	1,816,098	32,420	37,764	1,560,087	1,853,862
Long-term liabilities	-	-	1,343,499	657,816	1,343,499	657,816
Total liabilities	1,527,667	1,816,098	1,375,919	695,580	2,903,586	2,511,678
Net assets:						
Net investment in capital assets	32,463,928	30,872,961	3,413,607	3,246,432	35,877,535	34,119,393
Restricted	5,715,697	5,455,715	1,343,499	657,816	7,059,196	6,113,531
Unrestricted	7,081,433	6,967,063	(1,429,418)	(390,650)	5,652,015	6,576,413
Total net position	\$ 45,261,058	\$ 43,295,739	\$ 3,327,688	\$ 3,513,598	\$ 48,588,746	\$ 46,809,337

As a whole the Government's financial position improved during fiscal 2013. Total net position increased by \$1,779,409. Net position for governmental activities increased \$1,965,319 or 4.5% which was due to capital spending funded mainly through the use of U.S Department of Transportation Grant to construct a parallel taxiway at the airport. The net position for business-type activities decreased \$185,910 or 5.2% due the County's having to increase its post closure cost accrual for the landfill by \$685,683.

The following table provides a summary of the County's operations for the year ended June 30, 2013 with comparative totals for year ended June 30, 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program revenues:						
Charges for services	\$ 1,216,656	\$ 1,240,650	\$ 760,067	\$ 102,178	\$ 1,976,723	\$ 1,342,828
Operating grants and contributions	1,453,937	362,330	-	-	1,453,937	362,330
Capital grants and contributions	2,052,319	171,390	-	-	2,052,319	171,390
General revenues:						
Property taxes	6,471,401	6,542,629	-	-	6,471,401	6,542,629
Local option sales tax	1,571,791	1,632,697	-	-	1,571,791	1,632,697
SPLOST revenue	2,977,291	3,112,803	-	-	2,977,291	3,112,803
Other taxes	912,175	798,990	-	-	912,175	798,990
Other	276,428	369,989	1,052	1,205	277,480	371,194
Total revenues	16,931,998	14,231,478	761,119	103,383	17,693,117	14,334,861
EXPENSES:						
General government	4,815,366	4,929,784	-	-	4,815,366	4,929,784
Public safety	3,607,422	3,145,533	-	-	3,607,422	3,145,533
Judicial	1,036,576	1,002,361	-	-	1,036,576	1,002,361
Public works	2,649,627	2,533,951	-	-	2,649,627	2,533,951
Health and welfare	1,767,764	1,394,109	-	-	1,767,764	1,394,109
Culture/Recreation	679,492	668,533	-	-	679,492	668,533
Interest on long-term debt	-	-	-	-	-	-
Landfill	-	-	1,357,491	796,777	1,357,491	796,777
Total expenses	14,556,247	13,674,271	1,357,491	796,777	15,913,738	14,471,048
Increase (decrease) in net assets before transfers	2,375,751	557,207	(596,372)	(693,394)	1,779,379	(136,187)
TRANSFERS	(410,462)	(970,423)	410,462	970,423	-	-
Increase (decrease) in net assets	1,965,289	(413,216)	(185,910)	277,029	1,779,379	(136,187)
NET ASSETS, beginning of year	43,295,739	43,708,955	3,513,598	3,236,569	46,809,337	46,945,524
NET ASSETS, end of year	\$ 45,261,028	\$ 43,295,739	\$ 3,327,688	\$ 3,513,598	\$ 48,588,716	\$ 46,809,337

Capital grants and contributions increased due to the \$1,963,653 grant received during the year from the U.S. Department of Transportation for the construction of a parallel taxiway.

3. FUND FINANCIAL INFORMATION

Major Governmental Funds

General Fund

The central operating fund for Washington County, the General Fund, had total assets of \$8,503,444 and total liabilities of \$307,746 at the end of fiscal year 2013. Total revenues and other financing sources for fiscal year 2013 of \$10,102,460 exceeded expenditures and other financing uses of \$10,067,961.

Other Major Governmental Funds

The fund balance for the Capital Projects Fund (2009) decreased \$503,962 as the pace of capital projects exceeded the special local option sales tax revenue used to fund these projects.

The fund balance for the Capital Projects Fund (2005) decreased \$66,695 as the previously collected sales tax revenues are spent for capital projects.

Major Proprietary Funds

Landfill Fund

Total assets were \$4,703,607, total liabilities were \$1,375,919, and net position were \$3,327,688 at the end of fiscal year 2013. At June 30, 2013, the County has funded \$689,624 or 51.3% of the post closure accrual.

4. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County Commissioners had two revisions to the General Fund budget.

General Fund revenues for the year of \$10,102,460 were 3.0% more than budgeted revenues due mainly to the County receiving \$332,837 more in property tax revenue than was budgeted.

Total General Fund expenditures for fiscal year 2013 were 98.7% of the final budget. Expenditures for all functional areas except the public works department and the public safety department were less than the budget.

5. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the County had \$35.9 million invested in capital assets including equipment, buildings, infrastructure, park facilities, and landfills (See table below.) This represents a net increase of \$1,758,142, or 5.2% compared to last year.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 963,815	\$ 963,815	\$ 2,948,503	\$ 2,948,503	\$ 3,912,318	\$ 3,912,318
Infrastructure	12,171,739	11,995,973	-	-	12,171,739	11,995,973
Buildings & land improvements	13,948,746	11,959,487	27,662	29,242	13,976,408	11,988,729
Equipment	4,811,518	4,921,403	283,526	244,991	5,095,044	5,166,394
Construction in progress	568,110	1,032,283	153,916	23,696	722,026	1,055,979
Total	\$32,463,928	\$30,872,961	\$ 3,413,607	\$ 3,246,432	\$35,877,535	\$34,119,393

This year's major additions included:

Airport parallel taxiway paid for U.S. Department of Transportation grant	\$ 1,963,653
Airport parallel taxiway paid with Special Purpose Local Option Sales Tax revenues	296,294
Paving of dirt roads paid for with Special Purpose Local Option Sales Tax revenues	571,197
Motor grader refurbish paid for with Special Purpose Local Option Sales Tax revenues	151,378
	<u>\$ 2,982,522</u>

Additional information on Washington County's capital assets can be found in Note 6 on page 34 of this report.

Debt

The County had no debt outstanding at anytime during the year ended June 30, 2013.

6. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Washington County is known as the "Kaolin Capitol of the World". Kaolin, one of Georgia's most important minerals, is white alumina-silica clay is mined and extensively processed throughout Middle Georgia. The product is used in hundreds of products including paper, paint, plastics, ceramics, food and medicines. The Kaolin industry, despite recent declines, is still a primary economic driver of the County. At the end of the 20th century, Kaolin was an \$800 million industry and was Georgia's largest volume export.

Washington County is a rural county, located in East Central Georgia along the Fall Line, a geologic line that separates the Piedmont Plateau from the Coastal Plain. It lays half way between Atlanta and Savannah (about 120 miles from each). It also lies about half way between Macon and Augusta (about 60 miles from each).

The 2010 Census shows that the County's population was 21,187 which was an increase of 11 persons over the 2000 Census population. There are seven municipalities in the County with the following populations:

<u>City</u>	<u>Population</u>
Davisboro	2,010
Deepstep	131
Harrison	489
Oconee	252
Riddleville	96
Sandersville (the County Seat)	5,912
Tennille	1,539

The population in the unincorporated areas of the County was 10,730 in 2010.

Washington County has an extensive transportation network. The Fall Line Freeway connects Washington County to Augusta. Expansions of the Fall Line Freeway will connect to Macon and Columbus by January, 2016. Washington County is in a region which passed the Transportation Improvement Act of 2010 (aka TIA, aka TSPLOST). Funds are available to construct a four-lane eastern truck route around Sandersville by 2020. Additional STIP funds may become available to complete the route around Tennille also by the same time. The County also has over 1,100 lane miles of road in its unincorporated areas including paved, unpaved county roads, and State Routes. At Kaolin Field, a new modern airport terminal was commissioned in June, 2010 and a \$2.2 million parallel taxiway was completed by June, 2013. The new terminal and new parallel taxiway, along with future improvements, will serve visitors to Washington County for decades to come. The main Norfolk-Southern railway runs through Tennille. The local Sandersville Railroad Company connects to the Norfolk-Southern and serves the local kaolin and other industries. Due to the Kaolin Industry and other factors, Washington County is home to several trucking companies.

Other than Kaolin and trucking, the key industries include plastics manufacturers and government. The district Georgia Department of Transportation office is in Tennille, and Oconee Fall Line Technical College is in Sandersville.

Washington County has not fully recovered from the recession and Kaolin industry decline. Unemployment continues to plague Washington County. The average unemployment for 2013 (trailing 12-months through August, 2013) is 11.3% compared to 8.6% for the state as a whole for the same period. The number of employed individuals in Washington County was 6,761 in 2012 compares with 6,714 in 2011, up 0.7%.

Per capita personal income (in 2011) is \$28,950 compared with \$35,979 for Georgia as a whole. Median household income (2011) is \$34,117 for Washington County versus \$45,886 for Georgia. The number of citizens below the poverty level is at 27.6% compared to 15.7% for the state [<http://quickfacts.census.gov/qdf/states/13/13303.html>].

The workforce is employed in the following industries:

- Goods-producing: 14%
- Service-producing: 56%
- Government: 36%

[Georgia Department of Labor Area Labor Profile, Updated October, 2013]

Average weekly wage is \$627 for Washington County versus \$890 for the state as a whole [Same source as above].

The County commissioners made numerous budget cuts including employee headcount, employee benefits, and funding to the Airport Authority, Hospital, Ambulance, Fire Departments, Library, DFCS, and Health Department. Despite these cuts, the County required new revenue sources. A Garbage fee for homeowners in unincorporated areas was established in FY2013. The TIA Act of 2010 (i.e. the TSPLOST) passed on July, 2012 and the County began receiving discretionary funds in March, 2013. The County commissioners decided to use half of these discretionary funds for re-surfacing County paved roads and the other half to pay for regular road maintenance to help keep property taxes low.

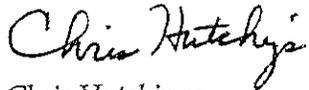
The FY2014 budget includes additional transfers of half of the TIA discretionary funds and increased garbage fees. The reason is that both will see a full 12 months of impact in FY2014. Sales taxes are budgeted to decline because of new exemptions in place on manufacturing energy, new auto sales, and certain agricultural exemptions. Most other revenues are budgeted to be close to flat. The commissioners budgeted to add on half mill to each property tax bill and dedicate these funds for Economic Development. This is intended to keep Washington County competitive with other progressive communities.

Costs continue to be scrutinized. Health insurance costs were originally projected to increase about 11% with the regular PPO plan, so the County offered an incentive to employees to choose a less expensive POS plan. As a result of about 75% choosing the POS plan, health insurance costs remain flat. The Defined Benefits (DB) plan costs continued to rise, as predicted. In about 2 years the costs of this plan should begin to trend downward because the DB plan was closed to new employees hired after October 1, 2011.

Other key increases in the FY2014 budget expenditures include the addition of one jailer (due to the increased number of inmates) and changing the part-time code enforcement officer to full time. The code enforcement officer is focusing on garbage and trucking issues.

7. CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Commissioner's Office at 119 Jones Street, Sandersville, Georgia.



Chris Hutchings
County Administrator/Clerk

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board ("GASB"). The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds
 - Proprietary (enterprise) fund
 - Fiduciary funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

WASHINGTON COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 7,577,592	\$ 1,235,733	\$ 8,813,325	\$ 800,819
Investments	5,029,994	-	5,029,994	-
Accounts receivable, net	180,314	54,267	234,581	17,616
Receivable from other governments	1,257,927	-	1,257,927	-
Inventories	215,196	-	215,196	-
Prepaid expenses	63,774	-	63,774	-
Total current assets	<u>14,324,797</u>	<u>1,290,000</u>	<u>15,614,797</u>	<u>818,435</u>
Noncurrent assets:				
Nondepreciable	1,531,925	3,102,419	4,634,344	-
Depreciable capital assets, net of accumulated depreciation	30,932,003	311,188	31,243,191	3,912
Total assets	<u>46,788,725</u>	<u>4,703,607</u>	<u>51,492,332</u>	<u>822,347</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	484,414	25,378	509,792	-
Other accrued liabilities	930,228	-	930,228	-
Deferred revenue	-	-	-	-
Accrued compensated absences	113,025	7,042	120,067	4,937
Total current liabilities	<u>1,527,667</u>	<u>32,420</u>	<u>1,560,087</u>	<u>4,937</u>
Noncurrent liabilities:				
Compensated absences, less current portion	-	-	-	26,548
Estimated liability for landfill closure and postclosure care costs	-	1,343,499	1,343,499	-
Total noncurrent liabilities	<u>-</u>	<u>1,343,499</u>	<u>1,343,499</u>	<u>26,548</u>
Total liabilities	<u>1,527,667</u>	<u>1,375,919</u>	<u>2,903,586</u>	<u>31,485</u>
NET POSITION:				
Net investment in capital assets	32,463,928	3,413,607	35,877,535	3,912
Restricted for:				
Inventory	215,196	-	215,196	-
Capital projects	3,708,568	-	3,708,568	-
Public safety	812,487	-	812,487	-
Transportation	951,060	-	951,060	-
Culture and recreation	28,386	-	28,386	-
Closure and post-closure costs	-	1,343,499	1,343,499	-
Unrestricted	7,081,433	(1,429,418)	5,652,015	786,950
	<u>\$ 45,261,058</u>	<u>\$ 3,327,688</u>	<u>\$ 48,588,746</u>	<u>\$ 790,862</u>

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 4,815,336	\$ 128,241	\$ 17,149	\$ 2,049,831	\$ (2,620,115)	\$ -	\$ (2,620,115)	
Public safety	3,607,422	506,565	130,548	-	(2,970,309)	-	(2,970,309)	
Judicial	1,036,576	521,695	-	-	(514,881)	-	(514,881)	
Public works	2,649,627	4,579	1,210,510	2,488	(1,432,050)	-	(1,432,050)	
Health and welfare	1,767,764	-	-	-	(1,767,764)	-	(1,767,764)	
Culture and recreation	679,492	55,576	95,730	-	(528,186)	-	(528,186)	
Interest on long-term debt	-	-	-	-	-	-	-	
Total governmental activities	14,556,217	1,216,656	1,453,937	2,052,319	(9,833,305)	-	(9,833,305)	
Business-type activities:								
Landfill	1,357,491	760,067	-	-	-	(597,424)	(597,424)	
Total business-type activities	1,357,491	760,067	-	-	-	(597,424)	(597,424)	
Total primary government	\$ 15,913,708	\$ 1,976,723	\$ 1,453,937	\$ 2,052,319	(9,833,305)	(597,424)	(10,430,729)	
Component unit:								
Health department	\$ 538,696	\$ 151,335	\$ 409,139	\$ -				\$ 21,778
General revenues:								
Taxes:								
Property taxes					6,471,401	-	6,471,401	-
General sales and use tax					1,571,791	-	1,571,791	-
Special local option sales tax					2,977,291	-	2,977,291	-
Other taxes					912,175	-	912,175	-
Grants and contributions					-	-	-	-
Interest income					35,831	1,052	36,883	903
Miscellaneous					240,597	-	240,597	-
Transfers					(410,462)	410,462	-	-
Total general revenues and transfers					11,798,624	411,514	12,210,138	903
Change in net position					1,965,319	(185,910)	1,779,409	22,681
Net position, beginning					43,295,739	3,513,598	46,809,337	768,181
Net position, ending					\$ 45,261,058	\$ 3,327,688	\$ 48,588,746	\$ 790,862

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Capital Projects Fund (2009)	Capital Projects Fund (2005)	E911 Telephone Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 2,801,287	\$ 2,578,277	\$ 505,241	\$ 771,208	\$ 921,579	\$ 7,577,592
Investments	5,029,994	-	-	-	-	5,029,994
Accounts receivable, net	168,736	-	-	11,578	-	180,314
Receivables from other funds	28,192	-	-	-	-	28,192
Receivables from other governments	277,665	875,197	-	-	105,065	1,257,927
Prepaid expenses	56,965	6,809	-	-	-	63,774
Inventories	140,605	-	-	-	74,591	215,196
Total assets	\$ 8,503,444	\$ 3,460,283	\$ 505,241	\$ 782,786	\$ 1,101,235	\$ 14,352,989
LIABILITIES:						
Accounts payable	\$ 238,153	\$ 232,639	\$ -	\$ 7,415	\$ 6,207	\$ 484,414
Payable to other funds	-	24,317	-	-	3,875	28,192
Deferred revenue	69,593	-	-	-	-	69,593
Total liabilities	307,746	256,956	-	7,415	10,082	582,199
FUND BALANCES:						
Non-spendable fund balance:						
Inventory	140,605	-	-	-	74,591	215,196
Restricted fund balance:						
Capital projects	-	3,203,327	505,241	-	-	3,708,568
Public safety	-	-	-	775,371	-	775,371
Transportation	-	-	-	-	951,060	951,060
Committed fund balance	-	-	-	-	-	-
Assigned fund balance:						
Public safety	-	-	-	-	37,116	37,116
Culture and recreation	-	-	-	-	28,386	28,386
Unassigned fund balance	8,055,093	-	-	-	-	8,055,093
Total fund balances	8,195,698	3,203,327	505,241	775,371	1,091,153	13,770,790
Total liabilities and fund balance	\$ 8,503,444	\$ 3,460,283	\$ 505,241	\$ 782,786	\$ 1,101,235	\$ 14,352,989

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$13,965,770	32,463,928
Net OPEB obligations are not due and payable in the current period and, therefore are not reported in the funds	(930,228)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Accounts receivable, net of allowance for doubtful accounts of \$0	69,593
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(113,025)
Net position of governmental activities	<u>\$ 45,261,058</u>

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Capital Projects Fund (2009)	Capital Projects Fund (2005)	E911 Telephone Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 8,952,654	\$ 2,977,291	\$ -	\$ -	\$ 619,352	\$ 12,549,297
Licenses and permits	53,754	-	-	-	-	53,754
Intergovernmental	105,814	2,049,831	-	130,548	611,682	2,897,875
Fees and fines	635,083	-	-	-	-	635,083
Charges for services	119,546	-	-	318,332	55,576	493,454
Other	270,759	2,488	-	-	26,575	299,822
Total revenues	<u>10,137,610</u>	<u>5,029,610</u>	<u>-</u>	<u>448,880</u>	<u>1,313,185</u>	<u>16,929,285</u>
EXPENDITURES:						
Current operating:						
General government	3,724,366	-	-	-	-	3,724,366
Public safety	2,580,745	270,000	-	598,108	-	3,448,853
Judicial	1,027,215	-	-	-	912	1,028,127
Public works	1,770,933	213,737	7,998	-	-	1,992,668
Health and welfare	355,197	1,394,114	-	-	-	1,749,311
Culture/recreation	476,071	-	-	-	133,327	609,398
Intergovernmental	-	755,024	-	-	-	755,024
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlays	-	2,900,697	58,697	-	12,110	2,971,504
Total expenditures	<u>9,934,527</u>	<u>5,533,572</u>	<u>66,695</u>	<u>598,108</u>	<u>146,349</u>	<u>16,279,251</u>
Excess (deficiency) of revenues over expenditures	<u>203,083</u>	<u>(503,962)</u>	<u>(66,695)</u>	<u>(149,228)</u>	<u>1,166,836</u>	<u>650,034</u>
OTHER FINANCING SOURCES (USES):						
Loan proceeds	-	-	-	-	-	-
Transfers in (out)	(168,584)	-	-	180,761	(206,437)	(194,260)
Total other financing sources and uses	<u>(168,584)</u>	<u>-</u>	<u>-</u>	<u>180,761</u>	<u>(206,437)</u>	<u>(194,260)</u>
Net change in fund balance	34,499	(503,962)	(66,695)	31,533	960,399	455,774
FUND BALANCE, beginning	<u>8,161,199</u>	<u>3,707,289</u>	<u>571,936</u>	<u>743,838</u>	<u>130,754</u>	<u>13,315,016</u>
FUND BALANCE, ending	<u>\$ 8,195,698</u>	<u>\$ 3,203,327</u>	<u>\$ 505,241</u>	<u>\$ 775,371</u>	<u>\$ 1,091,153</u>	<u>\$ 13,770,790</u>

(Continued)

See accompanying notes to the basic financial statements

(Continued)

WASHINGTON COUNTY, GEORGIA, GEORGIA

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	<u>\$ 455,774</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital outlays	2,892,210
Depreciation	<u>(1,301,243)</u>
	<u>1,590,967</u>
The effect of various capital asset disposals and sales, net of accumulated depreciation	<u>-</u>
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	<u>(72,681)</u>
Compensated absences 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	<u>(11,454)</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	<u>2,713</u>
	<u>\$ 1,965,319</u>

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

		Landfill Enterprise Fund
ASSETS		
CURRENT ASSETS:		
Cash in bank	\$	1,235,733
Accounts receivable, net of allowance		54,267
Total current assets		1,290,000
LONG-TERM ASSETS:		
Capital Assets:		
Land and improvements		2,948,503
Buildings		48,061
Equipment		1,710,749
Vehicles		293,983
Construction in progress		153,916
		5,155,212
Less accumulated depreciation		(1,741,605)
Total capital assets		3,413,607
Total assets		4,703,607
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable		25,378
Compensated absences		7,042
Total current liabilities		32,420
LONG-TERM LIABILITIES:		
Closure and post-closure costs		1,343,499
Total noncurrent liabilities		1,343,499
Total liabilities		1,375,919
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS		3,413,607
RESTRICTED FOR CLOSURE AND POST-CLOSURE COSTS		1,343,499
UNRESTRICTED		(1,429,418)
Total net position	\$	3,327,688

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Landfill Enterprise Fund
	Fund
OPERATING REVENUES:	
Charges for services - landfill use fees	\$ 306,641
Residential County garbage fee	453,426
Other	-
Total operating revenues	760,067
OPERATING EXPENSES:	
Personal services and employee benefits	159,708
Purchased/contract services	403,598
Supplies	59,474
Depreciation	49,028
Post-closure costs	685,683
Other costs	-
Total operating expenses	1,357,491
OPERATING INCOME (LOSS)	(597,424)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	1,052
Total non-operating revenues (expenses)	1,052
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(596,372)
CAPITAL CONTRIBUTIONS	216,202
NET INCOME (LOSS) BEFORE TRANSFERS	(380,170)
TRANSFERS IN (OUT)	194,260
CHANGE IN NET POSITION	(185,910)
NET POSITION, beginning of year	3,513,598
NET POSITION, end of year	\$ 3,327,688

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Landfill Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 709,565
Cash paid to suppliers for goods and services	(473,801)
Cash paid to employees	(154,324)
Net cash provided by (used for) operating activities	81,440
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from (to) other funds	194,260
Net cash provided by (used for) noncapital financing activities	194,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from grant	-
Purchase of capital assets	-
Net cash provided by (used for) capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	1,052
Net cash provided by (used for) investing activities	1,052
NET INCREASE (DECREASE) IN CASH	276,752
CASH AND CASH EQUIVALENTS, beginning of year	958,981
CASH AND CASH EQUIVALENTS, end of year	\$ 1,235,733
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:	
Net operating income (loss)	\$ (597,424)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	49,028
Changes in assets and liabilities:	
Accounts receivable	(50,502)
Accounts payable	(10,729)
Landfill closure/postclosure care costs	685,683
Payroll taxes payable	5,384
Net cash provided by (used for) operating activities	\$ 81,440
NONCASH CAPITAL FINANCING ACTIVITIES:	
Capital asset purchases of \$3,486 and \$212,716 were made through contributions from the Capital Projects Fund (2005) and the Capital Projects Fund (2009), respectively	

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
 FIDUCIARY FUNDS - AGENCY FUNDS
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 June 30, 2013

	Agency Funds
ASSETS:	
Cash in bank	\$ 657,250
Property taxes receivable	293,344
Other receivables	2,534
Total assets	\$ 953,128
LIABILITIES:	
Due to others	\$ 544,924
Due to other governments	408,204
Total liabilities	\$ 953,128

See accompanying notes to the basic financial statements

WASHINGTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of Washington County (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. As required by GAAP, these financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County.

Included as blended component units because they are, in substance, part of the County's operation:

Washington County Recreation Commission - The Recreation Commission was created by a resolution of the Washington County Board of Commissioners on June 9, 1977, under provisions of Act. No. 622 of the Georgia Municipal law as approved February 1, 1946, to operate through a full time staff a county-wide recreation program. The County has one representative on the Recreation Commission board, acts as a conduit for funds contributed by both the County and cities within Washington County for operation of the Recreation Commission and pays directly salaries of its full-time employees. The Commission does not issue financial statements separate from the County.

Included as a discretely presented component unit in a separate column in the combined financial statements to emphasize it is legally separate from the County:

Washington County Health Department - The financial operations of the Washington County Health Department (the Department) are presented as a governmental fund type. The County appoints four of the seven Department board members, funds a portion of the Department's budget, and can approve environmental health service fees charged by the Department. Another auditor, whose report was unqualified, audited the Health Department's financial statements. Complete financial statements may be obtained at 201 Morningside Drive, Sandersville, Georgia 31082.

Excluded from the reporting entity:

Because they are operated as agencies controlled and/or funded by other government agencies, the Washington County Board of Education, the Washington County Library and the Department of Family and Children Services are not included in the County's reporting entity.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues 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 government 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, including accrued interest on general long-term debt, is recognized when due, and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the County and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund (SPLOST 2009) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period January 1, 2010 to December 31, 2014.

The Capital Projects Fund (SPLOST 2005) accounts for capital outlay and other transactions related to the additional one-percent local option sales tax in effect for the period July 1, 2005 to December 31, 2009.

The Emergency 911 Telephone Fund accounts for the charge collected by telephone companies. This revenue is used to offset the costs of operating the E911 system.

The County reports the following major proprietary fund:

The Landfill Fund is used to account for the provision of solid waste disposal services to businesses and residents of the County. All activities necessary to provide such services are accounted for in the fund, including but not limited to, administration, operation, financing and related debt services, and billing and collections.

Additionally, the County reports the following fund type:

Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others. The County's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the County holds for others in an agency capacity.

The County complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting.

This Statement requires the County to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the County has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County.

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.

E. Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out method. The cost of governmental fund-type inventory is recorded as an expenditure when consumed rather than when purchased.

Materials purchased in the proprietary fund are expensed as purchased and are not inventoried at year end due to lack of materiality.

F. Prepaid Items

Prepaid balances, if any, are for payments made by the County in the current year to provide services occurring in the subsequent fiscal year, and a reserve for prepaid items is recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an estimated useful life in excess of two years and an original cost of \$2,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Beginning July 1, 2002, GASBS No. 34 required the County to report and depreciate all new governmental funds' infrastructure assets. GASBS No. 34 also required governments to retroactively report infrastructure assets constructed between 1980 and 2002. This retroactive reporting is subject to an extended implementation period and is first effective for the County for the year ended June 30, 2008. Accordingly, the County has fully implemented the retroactive infrastructure provisions in the fiscal year ending June 30, 2008. Infrastructure assets totaling \$637,046 were completed during the year ended June 30, 2013. At June 30, 2013, \$535,009 of construction-in-progress was related to infrastructure assets.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Buildings	30-40 Years
Depreciable land improvements	8 - 20 years
Machinery and equipment	5 - 25 years
Infrastructure	50 - 60 years

H. Compensated Absences

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

Full time employees of the Washington County Health Department (the "Department") earn leave time, which may either be taken or accumulated until paid upon termination or retirement. Unused leave time may be accumulated to a specific maximum amount and is paid upon termination, retirement or death to Department employees. In accordance with generally accepted accounting principles as applicable to the Department, an accrual for compensated absences is reflected in the accompanying general purpose financial statements as liability for compensated absences.

I. Long-Term Obligations

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

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

J. Equity Classifications

The County has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This new standard changed the overall definitions and classifications of governmental fund balances.

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

Fund Balance

Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted - Fund balances 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.

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commissioners through the adoption of a resolution. Only the County Commissioners may modify or rescind the commitment.

Assigned - Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the County Commissioners have authorized the County Clerk to assign fund balances.

Unassigned - Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the General Fund. Negative unassigned balances may be reported in all funds.

The County uses restricted amounts to be spent first when both restricted and unrestricted fund balances are available, unless there are legal documents/contracts that prohibit the use of restricted fund balances, such as grant agreements that require a dollar match. Additionally, the County would then use committed, assigned and lastly unassigned amounts from the unrestricted fund balance when expending funds.

The County does not have a formal minimum fund balance policy; however, the County Commissioners address various target reserve positions which are reviewed periodically.

Net Position

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly chargeable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis

GAAP is the budgetary basis used in the preparation of these statements.

Budget Requirements, Accounting and Reporting

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to year end the County Administrator submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Board of Commissioners holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ of Washington County.
3. The budget is then revised and adopted or amended by the Board of Commissioners at a regular meeting early in the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Board of Commissioners in a regular meeting and no increase shall be made therein without provision also being made for financing same.
5. The legal level of budgetary control is the department level within the General Fund. Increases in the total appropriations of a department, whether accomplished through an increase in estimated revenues or through a transfer of appropriations among departments, require the approval of the Board of Commissioners.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with GAAP.
7. Budgeted amounts are as originally adopted, or as amended by the Board of Commissioners. Individual amendments were not material in relation to the original appropriations which were amended.

Excesses of Expenditures over Appropriations in Individual Funds

	Final Budget	Actual Expenditures	Excess
Major Funds:			
General Fund:			
Public works	\$1,751,600	\$1,769,908	\$ 18,308
General government capital outlays	33,000	36,528	3,528
Public safety capital outlays	49,000	91,597	42,597
Public works capital outlays	-	1,025	1,025
B911 Fund:			
Current operating	577,400	577,400	20,708

3. DEPOSITS AND INVESTMENTS

Primary Government

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the County's \$8,813,325 was exposed to custodial credit risk.

Investments - At June 30, 2013, the County had the following investments and maturities.

Investment	Maturities	Fair Value
Freddie Mac	1/15/2014	\$ 1,023,146
Fannie Mae	8/28/2014	2,014,062
Freddie Mac	12/28/2015	995,293
Federal Farm Credit Bank	3/23/2016	997,493
		<u>\$ 5,029,994</u>

Interest Rate Risk - The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk - Statutes authorize the County to invest in obligations of the State of Georgia, other states, or the United States Government; obligations fully insured or guaranteed by the United States Government or an agency or corporation of the United States Government; and/or repurchase agreements and certificates of deposit which are secured by direct obligations of Georgia or the investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard and Poor's and AAA by Moody's Investors Service.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County had no policy on custodial credit risk. As of June 30, 2013, all of the deposits of the County were properly insured and collateralized as required by the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c) and as defined by GASB pronouncements.

Concentration of Credit Risk - The County places no limit on the amount that the County may invest in any one issuer.

4. PROPERTY TAXES

The value of all real and business personal property located in the County is assessed (appraised) as of each January 1. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the County Commissioners. Appraised values are established by the Washington County Tax Assessors at 40% of estimated fair market value. Taxes were levied when the mileage rate was set on or about September 3, 2012. Taxes were billed on or about September 21, 2011 and were due December 10, 2012 after which date penalties and interest were assessed. Property on which taxes are not paid within 60 days of mailing may then be levied on by the County. Current tax collections for the years ended June 30, 2013, were 98.9% of the tax levy.

Property taxes are recorded as receivables and deferred at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within sixty days following the close of the fiscal year, and therefore susceptible to accrual in accordance with GAAP have been recognized as revenue.

5. ACCOUNTS RECEIVABLE

At June 30, 2013, accounts receivable consisted of the following:

	Governmental Activities	Business-type Activities	Total
General Fund:			
Property tax	\$ 118,993	\$ -	\$ 118,993
Local option sales tax	272,410	-	272,410
Miscellaneous	72,692	-	72,692
Capital Projects Fund (2009):			
Due from Georgia DOT	366,234	-	366,234
Capital Projects Fund (2009):			
Special local option sales tax	508,963	-	508,963
Transportation Fund			
Special local option sales tax	105,065	-	105,065
Emergency 911 Telephone Fund:			
Intergovernmental	11,578	-	11,578
Landfill Fund:			
Landfill fees	-	54,267	54,267
	1,455,935	54,267	1,510,202
Allowance for doubtful accounts	(17,694)	-	(17,694)
	<u>\$ 1,438,241</u>	<u>\$ 54,267</u>	<u>\$ 1,492,508</u>

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Not being depreciated:				
Land	\$ 963,815		\$ -	\$ 963,815
Construction-in-progress	1,032,283	2,655,308	(3,119,481)	568,110
Subtotal	1,996,098	2,655,308	(3,119,481)	1,531,925
Other capital assets:				
Infrastructure	16,787,431	571,196	-	17,358,627
Buildings & land improvements	15,473,402	2,407,370	-	17,880,772
Equipment	9,280,557	400,735	(22,918)	9,658,374
Subtotal	43,537,488	6,034,609	(3,142,399)	46,429,698
Accumulated depreciation:				
Infrastructure	4,791,458	395,430	-	5,186,888
Buildings & land improvements	3,513,915	418,111	-	3,932,026
Equipment	4,359,154	487,702	-	4,846,856
Subtotal	12,664,527	1,301,243	-	13,965,770
Net capital assets	\$ 30,872,961	\$ 4,733,366	\$ (3,142,399)	\$ 32,463,928
Business-type activities:				
Not being depreciated:				
Land	\$ 2,948,503	\$ -	\$ -	\$ 2,948,503
Construction-in-progress	23,696	193,285	(63,065)	153,916
Subtotal	2,972,199	193,285	(63,065)	3,102,419
Other capital assets:				
Buildings & land improvements	48,061	-	-	48,061
Equipment	1,918,749	85,983	-	2,004,732
Subtotal	4,939,009	279,268	(63,065)	5,155,212
Accumulated depreciation:				
Buildings & land improvements	18,819	1,580	-	20,399
Equipment	1,673,758	47,448	-	1,721,206
Subtotal	1,692,577	49,028	-	1,741,605
Net capital assets	\$ 3,246,432	\$ 230,240	\$ (63,065)	\$ 3,413,607

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 296,929
Judicial	5,586
Public safety	255,060
Public works	655,121
Health and welfare	18,453
Culture/recreation	70,094
	<u>\$ 1,301,243</u>

7. CHANGES IN GENERAL CAPITAL ASSETS - DISCRETELY PRESENTED COMPONENT UNIT

Changes in equipment of the Washington County Health Department are detailed below:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets being depreciated:				
Equipment	\$ 73,787	\$ 1,988	\$ -	\$ 75,775
Less accumulated depreciation	(71,143)	(720)	-	(71,863)
Net capital assets	<u>\$ 2,644</u>	<u>\$ 1,268</u>	<u>\$ -</u>	<u>\$ 3,912</u>

8. COMPENSATED ABSENCES

Following is a summary of changes in compensated absences for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due in One Year
Governmental type activities:					
Compensated absences	\$101,571	\$ 11,454	\$ -	\$113,025	\$113,025
Business type activities:					
Compensated absences	\$ -	\$ 7,042	\$ -	\$ 7,042	\$ -
Discretely presented component unit:					
Compensated absences	\$ 43,402	\$ 28,783	\$ (40,700)	\$ 31,485	\$ 4,937

For the governmental activities, compensated absences are generally liquidated by the general fund.

9. CLOSURE AND POST-CLOSURE COSTS

Following is a summary of changes in closure and post-closure accrued costs for the year ended June 30, 2013:

	Balance June 30, 2012	Increases	Retirements	Adjustments	Balance June 30, 2013	Amount Due Within One Year
Business-type Activities:						
Fund closure and post-closure accrued costs	\$657,816	\$685,683	\$ -	\$ -	\$1,343,499	\$ -

10. SEGMENT INFORMATION - ENTERPRISE FUNDS

The County maintains only one Enterprise Fund, the Landfill Fund, therefore segment reporting is not applicable.

11. FUND DEFICITS

No fund had a deficit fund balance or net asset balance at June 30, 2013.

12. INTERFUND TRANSACTIONS AND BALANCES

Transfers for the year ended June 30, 2013 consisted of the following:

	Transfers From	
	General Fund	Transportation Fund
Transfers to:		
E911 Fund	\$ 180,761	\$ -
General Fund	-	206,437
Landfill Enterprise Fund	194,260	-
	\$ 375,021	\$ 206,437

Transfers are used to move unrestricted revenue to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

Balances due to/from other funds at June 30, 2013, consist of the following -

	Due From	Due To
2011 CDBG Fund	\$ 2,875	\$ -
Capital Projects Fund (2009)	24,317	-
Transportation Fund	1,000	-
General Fund	-	28,192
	\$ 28,192	\$ 28,192

The outstanding balances due to the General Fund result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

All amounts due to the General Fund are expected to be repaid during fiscal year 2013.

13. CONTINGENT LIABILITIES - LITIGATION

Amounts expended or payable from federal grantor agencies are subject to audit and adjustment. Any 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 the County expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the County. In the opinion of County management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially effect the County's financial position.

The County has entered into an agreement with the Hospital Authority of Washington County (the Authority) whereby the County will provide funds for debt service on the Series 1992 Revenue Anticipation Refunding Certificates issued by the Hospital Authority for Washington County Regional Medical Center and Washington County Extended Care Facility in the event the Authority has insufficient funds to make such payments.

The County and the City of Sandersville are equal guarantors on a Washington County Development Authority \$2,300,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The County and the City of Sandersville are equal guarantors on a Washington County Development Authority \$7,342,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The County is the guarantor on a Washington County Development Authority \$1,978,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

The County and the City of Sandersville are equal guarantors on a Washington County Public Facilities Authority \$3,612,000 revenue bond for purchase of an industrial building, in the event the Authority has insufficient funds to service the debt.

14. RETIREMENT BENEFITS

The following pension and retirement plans are in effect but are not under the direct control of the County:

Probate Judge's Retirement Fund of Georgia

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

Clerk of Superior Court Retirement Fund

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

Sheriff's Retirement Fund/Peace Officer's Annuity and Benefit Fund

The Sheriff and sheriff deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Probate Judge or Clerk of Superior Court to the pension plan before the payment of any costs or other claims.

Defined Benefit Pension Plan

The following information is as of December 31, 2012, the most recent year end of the described benefit pension plan.

A. Plan Description

The County contributes to the Association County Commissioners of Georgia (ACCG) Defined Benefit Plan (Plan), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agency for participating counties in Georgia. The County's payroll for employees participating in the Plan as of December 31, 2012 (the most recent actuarial valuation date) was \$2,768,413 (based on W-2 earnings for the preceding year). The County's total payroll was \$4,701,794. There were no changes in plan provisions valued, cost methods, benefits or actuarial assumptions from the preceding year.

All full-time County employees are eligible to participate in the Plan after completing three years of service. Benefits vest after five years of service. Participants become eligible to retire at the earlier of: a) age 65 with 3 years of participation in the Plan or b) the combination of years of service and attained age equal to 80 with a minimum age of 58. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 2.25% of average annual compensation plus \$36 for each year of service payable as a life annuity. Service is limited to 30 years. Compensation is averaged over a five year period prior to retirement or termination. The Plan also provides benefits in the event of death or disability. These benefit provisions were established by an adoption agreement executed by the County Board of Commissioners.

In order to participate in the Plan, employees are required to contribute 4% of pay. The County is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the funding standards for state and local governmental pension plans. Administrative expenses are based on total covered payroll of plan members and are added to the annual funding requirement.

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 employer and its plan members.

B. Summary of Plan Asset Matters and Accounting Principles

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and incremental changes in cash value of pre-retirement life insurance policies owned by the trust.

Plan member contributions are recognized in the period in which contributions are due. County contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 45% equities and 55% fixed income securities on a cost basis.

Plan assets do not include any loans, notes, bonds, or other instruments or securities of the County or related parties.

C. Funded Status and Progress

The amount shown below as the "Actuarial Value of Plan Assets" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funded status of the Plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the Plan.

The actuarial accrued liability (projected to June 30, 2013) was computed as part of an actuarial valuation as of December 31, 2011. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 6.0% per year compounded annually, (c) expected annual inflation of 3.0% and (d) no post-retirement benefit increases. The actuarial value of assets equates market value. The amortization method used is the level dollar amount and the amortization period is closed for the current plan year.

Total unfunded actuarial accrued liability applicable to County employees was \$2,696,032 at December 31, 2012, as follows:

Actuarial accrued liability:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,778,674
Current employees:	
Employer-financed vested	5,276,653
Employer-financed non-vested	<u>840,379</u>
Total present value of accrued benefits	8,895,706
Effect of future salary increases	<u>1,259,644</u>
Total actuarial accrued liability	10,155,350
Actuarial Value of Plan Assets, at market (including expected receivables)	<u>(7,459,318)</u>
Unfunded actuarial accrued liability	<u>\$ 2,696,032</u>

D. Contributions Required and Contributions Made

ACCG Plan funding policy provides for making required actuarially determined periodic contributions under the "Projected Unit Credit" actuarial cost method. This cost method determines plan liabilities consistent with the standardized measure of pension obligation described by Statement No. 25 of the Governmental Accounting Standards Board. In addition, this cost method determines contributions at rates that, for individual employees, increase gradually as an employee gets older, and enable sufficient assets to accumulate when benefits become due. Any excess of the actuarial accrued liability ("AAL") as of January 1, 1988 over the Plan's assets as of that date is amortized over closed periods on a two-tier basis as follows: a) if the value of benefits accumulated as of January 1, 1988 (based on current salary history, not projected) exceeds the Plan's assets, that excess is amortized over ten years, beginning January 1, 1988; plus b) the additional unfunded AAL as of January 1, 1988 is amortized over 30 years, beginning January 1, 1988.

For January 1, 1989 and later valuations three additional amortization amounts may apply; c) the amortization of the change in AAL attributable to Plan amendments over 20 years, beginning on the effective date of the amendment; plus d) the amortization of the cumulative difference between the actual calculated unfunded AAL as of the valuation date and the expected unfunded AAL (based on the actuarial assumptions used for funding purposes) over 15 years; plus e) the amortization of the change in unfunded AAL resulting from changes in actuarial assumptions over 30 years.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the actuarial accrued liability as described in C. above.

E. Historical Trend Information

Historical trend information, designed to provide information about a public employee retirement system's progress made in accumulating sufficient assets to pay benefits when due, is presented as follows:

The required three-year historical information is as follows:

	2012	2011	2010
Actuarial value of plan assets as a percentage of actuarial accrued liability	74%	72%	73%
Unfunded (Funded) actuarial accrued liability as a percentage of annual covered payroll	103%	94%	72%
Employer contributions as a percentage of annual covered payroll	23%	20%	18%
Annual pension cost	\$624,794	\$584,520	\$548,970
Percentage of annual pension cost contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Analysis of Funding Progress

Fiscal Year	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded		
				Actuarial Accrued Liability (AL) (2) - (1)	Annual Covered Payroll (prior year)	Unfunded AL as Percentage of Covered Payroll
2003	\$2,541,171	\$3,354,801	75.7%	\$ 813,630	\$2,002,268	40.6%
2004	2,851,128	3,859,802	73.9%	1,008,674	2,299,604	43.9%
2005	3,315,758	4,330,708	76.6%	1,014,950	2,295,627	44.2%
2006	3,851,940	4,795,839	80.3%	943,899	2,546,568	37.1%
2007	4,516,019	6,028,621	74.9%	1,512,602	3,097,309	48.8%
2008	4,760,801	6,643,115	71.7%	1,882,315	3,148,138	59.8%
2009	5,381,725	7,333,885	73.4%	1,952,160	2,757,857	70.8%
2010	6,045,930	8,249,490	73.3%	2,203,560	3,051,978	72.2%
2011	6,728,381	9,411,373	71.5%	2,682,992	2,865,734	93.6%
2012	7,459,318	10,155,350	73.5%	2,696,032	2,611,711	103.2%

Analysis of the dollar amounts of actuarial value of plan assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of plan assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Revenues by Source and Expenses by Type Revenues by Source

Fiscal Year	Employer Contribution	Employee Contribution	Investment Income	Recoveries	Total
2003	\$244,156	\$ 86,290	\$ 293,648	0	\$ 624,094
2004	193,590	83,817	293,648	0	571,055
2005	244,156	86,290	145,453	0	475,899
2006	267,421	94,293	228,816	0	590,530
2007	375,051	96,794	368,399	0	840,244
2008	429,145	101,246	325,544	0	855,935
2009	491,644	191,734	(810,212)	0	(126,834)
2010	548,970	177,298	576,101	0	1,302,369
2011	584,520	169,023	47,899	0	801,442
2012	624,794	167,852	667,528	0	1,460,174

Expenses by Type

Fiscal Year	Retirement Benefits	Administrative Expenses*	Refunds	Total
2003	\$142,906	\$13,010	\$ 7,694	\$163,610
2004	120,552	12,846	9,073	142,471
2005	175,064	13,010	15,291	203,365
2006	151,555	14,348	3,813	169,716
2007	171,362	14,330	16,146	201,838
2008	181,284	17,938	3,502	202,724
2009	238,764	18,167	28,363	285,294
2010	346,086	17,734	38,991	402,811
2011	300,842	16,896	69,304	387,042
2012	345,946	15,753	4,006	365,705

*Administrative expenses include fees associated with actuarial, accounting and administrative services. Contributions were made in accordance with actuarially determined contribution requirements. Contributions made during a particular year are attributable to the prior Plan year.

To obtain a copy of the financial report for the ACCG pension plan, write to the following address:

ACCG
50 Hurt Place,
Suite 1000
Atlanta, GA 30303

15. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The County opened a new solid waste landfill in December 1993. State and federal regulations will require the County to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the County will report a portion of these closure and postclosure care costs as an expenditure in each period based on landfill capacity used as of each balance sheet date.

The State has estimated that for every cubic yard of waste accepted in the landfill, \$1.00 will be required to be contributed to a trust fund to finance closure and postclosure care. The accrual for waste accepted December 1993 to June 30, 2013, shown in the Landfill Enterprise Fund, is \$1,343,499, (38.5% of total estimated closure and post-closure costs of \$3,487,796) an increase of \$685,683 from June 30, 2012.

The estimated total current cost of closure and postclosure care remaining to be recognized, based on the \$1.00 per cubic yard and estimated annual volume, is \$2,144,297.

The landfill capacity used to date is estimated at 38.5%, and the remaining landfill life is 30 years.

Due to changes in technology, laws or regulations the above cost estimates may change in the future.

16. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors of omissions, job related illnesses or injuries to employees; natural disaster; and unemployment compensation.

The County is a member of Association County Commissioners of Georgia Interlocal Risk Management Agency (ACCG-IRMA), through which it shares liability, crime, motor vehicles and property damage risks. Coverages are as follows:

Property:	
Building and contents	\$23,012,205
Automobile physical damage and mobile equipment	Per Schedule on File with ACCG-IRMA
Casualty:	
Comprehensive general liability and law enforcement liability	\$3,000,000
Automobile liability	\$3,000,000
Public officials error and omission liability	\$3,000,000
Employee benefits liability	\$3,000,000
Crime:	
Blanket bond	Per State Law or Local Ordinance
Depositors forgery	\$ 150,000
Money and securities (inside and outside premises)	\$ 150,000 each
Deductible:	
Per occurrence or claim	\$ 25,000
Coverage Exceptions:	
Retroactive date to which coverage exception are subject	January 12, 1988

The Association County Commissioners of Georgia Interlocal Risk Management was created pursuant to Chapter 85 of Title 36 of the Official Code of Georgia Annotated to function as an unincorporated nonprofit instrumentality of its member counties. ACCG-IRMA was established to administer one or more group self insurance funds and a risk management service to prevent or lessen the incidence and severity of casualty and property losses occurring in the operation of county governments. It also exists to defend and protect, in accordance with each member government contract, ACCG-IRMA members against liability or loss.

The County is obligated as follows under the intergovernmental contract of ACCG-IRMA:

- To participate at all times in at least one Fund which is established by the Board
- To pay all contributions, assessments or other sums due to ACCG-IRMA at such times and in such amounts as shall be established by the Board
- To select a person to serve as a Member representative
- To allow the Board and its agents reasonable access to all facilities of the Member and all records, including but not limited to financial records, which relate to the purposes of ACCG-IRMA
- To allow attorneys appointed by ACCG-IRMA to represent the Member in investigation, settlement discussions and all levels of litigation arising out of any claim made against a Member within the scope of loss protection furnished by the Fund or Funds established by ACCG-IRMA
- To assist and cooperate in the defense and settlement of claims against the Member
- To furnish full cooperation to ACCG-IRMA's attorneys, claims adjusters, Service Company, and any agent, employee, officer or independent contractor of ACCG-IRMA relating to the purposes of ACCG-IRMA
- To follow all loss reduction and prevention procedures established by ACCG-IRMA
- To furnish to ACCG-IRMA such budget, operating and underwriting information as may be requested by the Board
- To report as promptly as possible, and in accordance with any Coverage Descriptions issued, all incidents which could result in ACCG-IRMA or any Fund established by ACCG-IRMA being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection of a Fund or Funds in which the Member participates

The County retains the first \$25,000 of each risk of loss in the form of a deductible. The County files all claims with ACCG-IRMA who then bills the County for any risk loss up to the \$25,000 deductible.

The basis for estimating the liabilities for unpaid claims is "IBNR" established by an actuary.

The County has not compiled a record of the claims paid up to the applicable deductible for the current fiscal year. The County is aware of three claims which the County is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2013. No provision has been made in the financial statements for the year ended June 30, 2013, for any estimate of potential unpaid claims.

The County is self-insured with regard to unemployment compensation claims. The County accounts for claims with expenditures and liabilities being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The County has paid \$4,084 of claims related to unemployment compensation in the past three years.

For its workers' compensation coverage, the County is a participant in the Association County Commissioners Self-Insurance Fund (the Fund), a public entity risk pool

operated for the benefit of county government units located in Georgia. The County's General Fund pays an annual premium to the Fund for this coverage. The Fund provides excess insurance coverage for protection of members against excess losses and initial excess coverage is statutory specific and unlimited aggregate accounts. Government members of the Fund are jointly and severally liable for claims not covered by the Fund.

17. OTHER POSTEMPLOYMENT BENEFITS

In accordance with GASB 45 requirements, the County is required to attribute the cost of postretirement benefits to the time during which the employee is working for the employer. GASB 45 requires allocation of the costs of a postretirement benefit plan onto the years of active employment; it does not require the funding of such benefits. GASB 45 requirements have been implemented by the County for the year ended June 30, 2013. The County has elected not to establish a separate trust fund to account for other post-employment benefits, and has not funded the plan as of June 30, 2013.

The County provides postretirement health care benefits, as per the requirements of a resolution for certain retirees. The provisions and obligations to contribute are established and may be amended by the Washington County Board of Commissioners. To be eligible to continue in the County's Group Health Insurance Plan, an employee of elected official has to have participated in the County's Health Insurance Program for at least sixteen years prior to retirement. The County will pay the total premium cost of the first year after retirement. The retiree must then begin paying his/her share of the premium cost at the beginning of the second year of retirement. As the premiums increase, the retiree's portion of the premium is expected to remain unchanged. Currently, four employees are enrolled in postretirement health care benefits. These postretirement benefits are funded on a pay-as-you-go basis. In 2013, the net cost of premiums for providing postretirement benefits for retirees was \$26,917.

Membership

The following schedule (derived from the most recent actuarial report) reflects membership for the OPEB Health Care Plan as of January 1, 2012.

Active members	104
Retired members	4
	<u>108</u>

Contributions

The County contributed \$26,917 to the OPEB Health Care Plan in fiscal year 2013. The annual required contribution amount is determined using actuarial methods and assumptions approved by the County Commissioners. The Commissioners established and may amend the funding policy for the OPEB Health Care Plan.

Schedule of Employer Costs and Contributions

Fiscal Year	Annual Required Contribution/ Annual OPEB Cost	Actual County Contribution	Percentage of AOC Contributed	Net OBEB Obligation End of Year
2010	\$437,265	\$ 52,696	12.1%	\$384,569
2011	437,265	28,175	6.4%	793,659
2012	99,598	35,710	35.9%	857,547
2013	99,598	26,917	27.0%	930,228

Components of Net OPEB Obligation:

Annual Required Contribution	\$ 98,866
Interest on Net OPEB Obligation	16,364
Adjustment to Annual Required Contribution	<u>(15,632)</u>
Annual OPEB Cost	99,598
Contributions Made	<u>26,917</u>
Increase in Net OPEB Obligation	72,681
Net OPEB Obligation, beginning of year	<u>857,547</u>
Net OPEB Obligation, end of year	<u><u>\$ 930,228</u></u>

As of the most recent valuation date, January 1, 2012, the funded status of the OPEB Health Care Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Ratio	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
01/01/10	\$ -	\$4,396,529	\$4,396,529	-%	\$3,388,291	129.76%
01/01/11	-	1,177,104	1,177,104	-%	3,222,148	36.53%
01/01/12	-	1,177,104	1,177,104	-%	3,222,148	36.53%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continued revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the plan in effect at January 1, 2012. The assumptions used in the January 1, 2012 actuarial valuations are as follows:

Basis of Valuation

Current Valuation Date	January 1, 2012
Actuarial Cost Method	Projected unit credit
Actuarial Asset Valuation Method	Market value of assets
Assumed Rate of Return on Investments	4.00%
Medical Cost Trend Rate	10.50% - 5.00%
Year of Ultimate Medical Cost Trend Rate	2017
Amortization Method	Level percentage of pay, open
Remaining Amortization Period	30 years
Payroll Inflation Rate	3.0%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include the techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

18. JOINT VENTURE

Under Georgia law, the County in conjunction with other cities and counties in the fourteen county east central Georgia area, is a member of the Central Savannah River Area Regional Commission and is required to pay annual dues thereto. During its year ended June 30, 2013, the County paid \$11,188 in such dues. Membership in a Regional Commission is required by the OCGA Section 50-8-34 which provides for the organizational structure of the Regional Commission in Georgia. The Regional Commission Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a Regional Commission. Separate financial statements may be obtained from:

Central Savannah River Area Regional Commission
2123 Wrightsboro Road
P.O. Box 2800
Augusta, Georgia 30914-2800

19. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 31, 2013, the date the financial statements were available to be issued. As of September 10, 2013, a subsequent guarantee by the County on the repayment of revenue bonds issued by the Washington County Public Facilities Authority for the construction of a new jail amounted to \$16,690,000. This repayment will be funded by the previously approved 2013 SPLOST.