

MONTGOMERY COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Montgomery County Commissioners
Mount Vernon, Georgia 30445

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery County, Georgia, as of December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

We did not audit the financial statements of the Montgomery County Board of Health (Discretely Presented Component Unit) as of June 30, 2014, and for the year then ended which statements reflect total assets of \$274,436 and total revenues of \$310,837. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the Montgomery County Board of Health, is based on the report of the other auditors.

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 included 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 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 Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, Georgia, as of December 31, 2014, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in December 31, 2012 and implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of December 31, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 33 through 37 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.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County, Georgia's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 Montgomery County, Georgia's internal control over financial reporting and compliance.

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, GEORGIA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government	Component Unit
	Governmental Activities	Montgomery County Board of Health
<u>Assets</u>		
Cash and cash equivalents	\$ 2,733,685	\$ 156,012
Certificates of deposit	4,741	114,611
Accounts receivable	16,745	-
Taxes receivable	677,216	-
Interfund receivables	-	-
Other receivables	192,058	-
Due from other governments	204,922	3,103
Prepaid expenditures	26,496	-
Capital Assets:		
Equipment	4,211,486	67,153
Buildings	5,696,594	-
Office furniture and fixtures	258,971	-
Land	533,768	-
Infrastructure	2,739,373	-
Accumulated depreciation	(5,980,336)	(66,443)
Capital assets, net of depreciation	7,459,856	710
Total Assets	11,315,719	274,436
<u>Liabilities</u>		
Accounts payable	237,193	-
Accrued expenditures	29,559	-
Due to others	70,667	-
Compensated absences		
Current	-	2,444
Long-term	-	9,774
Notes payable - current	120,000	-
Capital leases payable		
Current	287,341	-
Long-term	944,097	-
Total Liabilities	1,688,857	12,218
<u>Net Position</u>		
Net investment in capital assets	6,108,418	710
Restricted for:		
Health Department	-	31,552
Splost	428,435	-
Projects Fund	67,718	-
Special drug education	20,010	-
Special drug forfeiture	1,055	-
Senior nutrition	-	-
E911	18,584	-
Court (jail) fund	1,712	-
Law library	6,914	-
Development authority	43,035	-
T-Splost	52,425	-
Unrestricted	2,878,556	229,956
Total Net Position	\$ 9,626,862	\$ 262,218

The accompanying notes to the financial statements are an integral part of this statement.

**MONTGOMERY COUNTY, GEORGIA
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
DECEMBER 31, 2014**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities	Component Unit Montgomery County Board of Health
Governmental Activities						
General Government	\$	\$	\$	\$		
Legislative and Executive	921,085	96,342	-	-	(824,743)	-
Judicial	361,799	214,066	-	-	(147,733)	-
Public Safety	1,614,592	121,832	51,000	-	(1,441,760)	-
Roads and Bridges	1,776,043	-	574,184	-	(1,201,859)	-
Solid Waste	250,719	-	-	-	(250,719)	-
Health and Welfare	270,233	-	117,611	-	(152,622)	-
Recreation & Culture	47,718	-	-	-	(47,718)	-
Community Development	168,584	-	-	-	(168,584)	-
Total Primary Government	5,410,773	432,240	742,795	-	(4,235,738)	-
Component Unit						
Montgomery County Board of Health	297,547	93,112	172,372	-	-	(32,063)
Total Component Units	\$ 297,547	\$ 93,112	\$ 172,372	\$ -	\$ -	\$ (32,063)
General Revenues						
Property Taxes					2,310,803	-
Mobile Home Tax					26,370	-
Motor Vehicle Taxes					440,372	-
Sales Tax					481,777	-
Insurance Premium Taxes					241,480	-
Alcoholic Beverage Taxes					22,800	-
Real Estate Transfer Taxes					21,135	-
Timber Tax					61,689	-
Franchise Taxes					11,009	-
Interest					6,214	-
Splost					511,274	-
Other Revenues					203,996	45,353
Total General Revenues					4,338,919	45,353
Change in Net Position					103,181	13,290
Net Position Beginning of Year					9,523,681	248,928
Net Position End of Year					\$ 9,626,862	\$ 262,218

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
FUND FINANCIAL STATEMENTS
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Splost Fund	Other Governmental Funds	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,148,924	\$ 415,974	\$ 173,528	\$ 2,738,426
Accounts receivable	-	-	16,745	16,745
Receivables:				
Taxes	677,216	-	-	677,216
Interfund receivable	12,929	-	-	12,929
Other receivable	192,058	-	-	192,058
Due from other governments	85,780	89,424	29,718	204,922
Prepaid expenditures	26,496	-	-	26,496
Total assets	\$ 3,143,403	\$ 505,398	\$ 219,991	\$ 3,868,792
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	\$ 237,193	\$ -	\$ -	\$ 237,193
Accrued expenditures	27,654	-	1,905	29,559
Interfund payable	-	12,929	-	12,929
Due to others	-	64,034	6,633	70,667
Total liabilities	264,847	76,963	8,538	350,348
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	\$ 349,807	\$ -	\$ -	\$ 349,807
<u>Fund Balances</u>				
Non-spendable:				
Prepaid expenditures	26,496	-	-	26,496
Certificate of deposit	4,741	-	-	4,741
Restricted:				
Splost	-	428,435	-	428,435
Projects fund	-	-	67,718	67,718
Special drug education	-	-	20,010	20,010
Special drug forfeiture	-	-	1,055	1,055
Senior nutrition	-	-	-	-
E-911	-	-	18,584	18,584
Court (jail) fee	-	-	1,712	1,712
Law library	-	-	6,914	6,914
Development authority	-	-	43,035	43,035
T-Splost	-	-	52,425	52,425
Unassigned	2,497,512	-	-	2,497,512
Total fund balances	2,528,749	428,435	211,453	3,168,637
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,143,403	\$ 505,398	\$ 219,991	\$ 3,868,792

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
 FUND FINANCIAL STATEMENTS
 RECONCILIATION OF NET POSITION – GOVERNMENTAL FUNDS IN THE STATEMENT OF
 NET POSITION TO TOTAL FUND BALANCE – GOVERNMENTAL FUNDS ON THE BALANCE
 SHEET
 FOR THE YEAR ENDED DECEMBER 31, 2014

Total Governmental Fund Balances	\$	3,168,637
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		7,459,856
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:		
Unavailable revenue		349,807
Liabilities not due and payable in the current period and therefore are not reported in the governmental fund balance sheets but are reported on the government-wide statement of net position.		
Note payable		(120,000)
Capital leases		<u>(1,231,438)</u>
Net Position of Governmental Activities	\$	<u>9,626,862</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Splost Fund	Other Governmental Funds	Total
Revenues:				
Taxes	\$ 3,417,091	\$ 511,274	\$ 214,495	\$ 4,142,860
Grants	339,148	42,500	361,147	742,795
Licenses and permits	13,218	-	-	13,218
Charges for services	67,940	-	121,832	189,772
Fines and court costs	184,253	-	29,813	214,066
Rent	15,184	-	-	15,184
Miscellaneous	24,825	-	18,123	42,948
Interest	3,662	1,525	1,027	6,214
Total revenues	<u>4,065,321</u>	<u>555,299</u>	<u>746,437</u>	<u>5,367,057</u>
Expenditures:				
Current operating:				
General government	788,964	2,710	23,943	815,617
Judicial	358,968	-	6,372	365,340
Public Safety	1,346,669	8,561	439,815	1,795,045
Roads and bridges	866,020	595,761	434,862	1,896,643
Solid Waste	209,955	-	-	209,955
Health and welfare	206,475	-	58,458	264,933
Culture and recreation	44,442	-	-	44,442
Community development	65,540	-	234,451	299,991
Intergovernmental	-	237,631	-	237,631
Debt service:				
Principal retirement	335,674	641,774	20,662	998,110
Interest	6,184	20,861	1,220	28,265
Total expenditures	<u>4,228,891</u>	<u>1,507,298</u>	<u>1,219,783</u>	<u>6,955,972</u>
Excess(deficiency) of revenues over(under) expenditures:	<u>(163,570)</u>	<u>(951,999)</u>	<u>(473,346)</u>	<u>(1,588,915)</u>
Other financing sources (uses):				
Proceeds from note payable	290,127	-	120,000	410,127
Proceeds from capital leases	83,400	541,854	166,019	791,273
Sale of property	-	421,355	-	421,355
Transfers	(122,384)	-	122,384	-
Total other financing sources(uses)	<u>251,143</u>	<u>963,209</u>	<u>408,403</u>	<u>1,622,755</u>
Net change in fund balances	87,573	11,210	(64,943)	33,840
Fund balance - beginning of year	<u>2,441,176</u>	<u>417,225</u>	<u>276,396</u>	<u>3,134,797</u>
Fund balance - end of year	<u>\$ 2,528,749</u>	<u>\$ 428,435</u>	<u>\$ 211,453</u>	<u>\$ 3,168,637</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds	\$	33,840
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Amounts reported for governmental activities on the
statement of activities are different because of the following:

Proceeds on sale of assets	(421,355)
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Governmental funds report capital outlay as expenditures.
However, on the statement of activities, the cost of those
assets are allocated over their estimated useful lives as depreciation
expenditures. This is the amount by which capital outlays
exceeded depreciation during the year:

General fund	\$	176,481	
Splost fund		549,110	
Other Govt funds		<u>405,957</u>	
Total		1,131,548	
Gain on Sale		161,048	
Depreciation Expense		<u>(584,459)</u>	
		708,137	708,137

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:	(14,151)
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Debt proceeds is a revenue in the governmental funds, but the debt
increases the liabilities on the statement of activities:

Debt proceeds	(1,201,400)	(1,201,400)
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Repayment of principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities on the statement of
activities:

Principal retirement	998,110	<u>998,110</u>
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Change in Net Position of Governmental Activities	\$	<u>103,181</u>
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The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
FIDUCIARY FUND FINANCIAL STATEMENTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2014

	Agency Fund Total
<u>Assets</u>	
Cash	\$ 122,634
Due from others	16,435
Taxes receivable	<u>1,308,632</u>
Total assets	<u>1,447,701</u>
<u>Liabilities</u>	
Due to others	139,069
Deferred taxes	<u>1,308,632</u>
Total liabilities	\$ <u>1,447,701</u>

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

Montgomery County, Georgia is a governmental unit governed by an elected five-member board. As required by generally accepted accounting principles, these financial statements present Montgomery County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

The office of the Montgomery County Commissioners is the oversight unit for the purposes of these financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", established criteria for determining which component units should be considered part of Montgomery County, Georgia for financial reporting purposes. The basic criteria are as follows:

1. Financial Accountability
2. Appointment of a Voting Majority
3. Imposition of Will
4. Financial Benefit to or Burden on a Primary Government
5. Financial Accountability as a Result of Fiscal Dependency
6. Potential for Dual Inclusion

Based on the previous criteria, County management has included the following component units in the financial reporting entity:

Agency Funds

The following units are reported as part of the primary government in the Basic Financial Statements of Montgomery County, Georgia:

Tax Commissioner
Sheriff
Clerk of Courts
Probate Judge
Magistrate Court

These units collect and disburse taxes, fees, fines, etc. under their constitutionally assigned responsibility. Financial records separate from the oversight unit are maintained for each related agency fund. For the purposes of this report these related agency funds affect the financial statements in the following way. Each disbursement by these agency funds to the oversight unit is reflected as revenue to the oversight unit's General Fund.

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Unit

The following component unit has been discretely presented in the Montgomery County, Georgia Basic Financial Statements:

Montgomery County Board of Health

The Montgomery County Board of Health provides public health services to the residents of Montgomery County under a contract with the Georgia Department of Human Resources. Although the department generates revenue from the collection of fees and receives funding from the Georgia Department of Human Resources, the County provides a subsidy to the department for the provision of health services. The Montgomery County Board of Health fiscal year audit ending June 30, 2014, is presented in the Government-Wide Financial Statements.

Complete financial statements of the Montgomery County discrete component unit can be obtained at the Montgomery County Board of Health administrative office:

Montgomery County Board of Health
P.O. Box 212
Mount Vernon, Georgia 30445

Based on the GASB criteria, the following unit is not included in this report:

Montgomery County Board of Education.

Disbursements to the Montgomery County Board of Education are by contractual agreement with the Board of Commissioners.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except the fiduciary funds or component units that are fiduciary in nature.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities. Direct expenses are those that are specifically associated with a service program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most functions of the government are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between governmental fund assets and liabilities and deferred inflow/outflow of resources are reported as fund balance. The County's major funds are the General Fund, the Capital Projects Fund – Special Purpose Local Option Sales Tax (SPLOST).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

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

Capital Projects Fund - SPLOST – This fund is used for construction and maintenance of roads and bridges, solid waste management, for the purchase fire equipment and ambulances in Montgomery County.

Non-major Fund Type:

Special Revenue Funds - Special Revenue Funds are generally used to account for certain specific revenue sources, including special services districts, grants, and similar funds that are legally restricted to expenditures for specified purposes.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and the changes in net position. The County's agency funds are used to account for assets held by certain officials in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting. County officials with this designation are the Tax Commissioner, the Sheriff, the Clerk of Courts, the Probate Judge, and the Magistrate Court.

Fund Equity

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

Fund balance generally represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report classification 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:

Non-spendable – Fund balances are reported as non-spendable 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 limitation imposed on their use whether through 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 Board of County Commissioners through the approval of a motion. Only the Board of County Commissioners may modify or rescind the commitment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting – Fund Equity (Continued)

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 or committed.

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 fund balances may be reported in all funds.

Flow assumptions – When both restricted and unrestricted amounts of fund balance are used for expenditures incurred, it is the County's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the County's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represent the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets, liabilities, and deferred inflows/outflows of resources associated with the operation of the County are included on the statement of net position. The statement of activities reports revenues and expenditures.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current liabilities, and deferred inflows/outflows of resources are generally included on the balance sheet. The statement revenues, expenditures and change in fund balance reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental Fund financial statements, therefore, includes a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

A. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which the party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days after year end. Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales tax is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, grants, interest and rent.

Modified Accrual Basis of Accounting

All governmental funds and the discretely presented component unit are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are generally recognized when they become measurable and available as net, current assets. Revenues, which are susceptible to accrual, are property taxes and grants from other governments. Property tax revenues are considered measurable and available to the extent they are collected within the current period or collected within sixty days after the end of the period.

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modified Accrual Basis of Accounting (Continued)

Property taxes not collected within sixty days after the end of the period are recorded as unavailable revenues and recognized when collected. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) inventory type items, which are, expensed when purchased; (2) principal and interest on general long-term debt which is recognized when due; and (3) prepaid items which are expensed when purchased.

Change in Accounting Principles

For the fiscal year ended 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions"; GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis- for State and local Governments"; GASB Statement No. 36, "Recipient Reporting for Certain Shared Non-exchange Revenues"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No.38, "Certain Financial Statement Note Disclosures"; and GASB Interpretation No.6, " Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." The County has elected to omit the Management's Discussion and Analysis. As of January 1, 2011, the County implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Please see pages 15 and 16 of the Notes for the definitions of the classifications of Fund Balance.

Budgetary Process – Primary Government

1. Prior to December 1, the Chairman submits to the Commission a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Commission holds a public hearing on the budget, giving notice thereof at least ten days in advance by publication in the official organ.
3. The budget is then revised and adopted or amended by the Commission at the first regular meeting in January of the year to which it applies.
4. The budget so adopted may be revised during the year only by formal action of the Commission in a regular meeting, and no increase shall be made therein without provision also being made for financing it.
5. The Budget for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted, or as amended by the Commission, if such amendments are considered material to the budget as a whole.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash includes amounts in both interest-bearing and non-interest bearing demand deposit accounts. State statutes authorize the County to invest in obligations of the U.S. Treasury, obligations of the State of Georgia or any other states, obligations fully insured or guaranteed by the United States government or governmental agency, Local government Investment Pool, Commercial paper, corporate bonds, obligations of other political subdivisions of the State of Georgia, and repurchase agreements. Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State and U.S. obligations.

Investments are recorded at cost or amortized cost plus accrued interest, which approximates market value.

For the purpose of reporting cash flows the County considers certificates of deposit with an initial maturity of three months or less to be cash equivalent.

Assets are reported restricted when limitations on their use change the nature or normal understanding of the availability of the asset.

Eliminations

GASB 34 eliminated the presentation of Account Groups, but provides for these records to be maintained and used to account for capital assets and long-term liabilities that are not reflected on the balance sheet of Governmental-type funds due to the current financial resources measurement focus that they use.

The effect of inter-fund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated as well as transfers between funds.

Inter-fund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term inter-fund loans or inter-fund services provided and used are classified as "Inter-fund Receivables and Payables." Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

The only inter-fund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances." The monies due the primary government from the fiduciary funds are reflected in the statement of net position as "External Balances."

Inventories

Inventory consists of expendable supplies held for consumption. The costs of these supplies on hand are considered immaterial to the balance sheets of the various funds and are not shown as assets of the funds nor is any portion of the fund balance reported as reserved for inventories. Inventory type items are recorded as an expenditure when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are reported as prepaid expenses using the consumption method by recording a current asset for the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items (Continued)

prepaid amount and reflecting the expenditure/expense in the year in which the services are consumed. The prepaid expenditure, prepaid insurance, is classified as non-spendable on the government-wide statements of net position.

Capital Assets

Capital assets, which include property, plant, office furniture, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the governmental-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at historical cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. GASB Statement 34 prohibits the capitalization of interest for assets constructed for use in governmental activities. In 2014, there was no interest expense incurred by the County included as part of the cost of capital assets under construction in connection with public building construction projects.

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

Buildings	50 years
Vehicles	5 years
Machinery and equipment	5-20 years
Office Furniture	5-10 years
Roads, Bridges, and Sidewalks	50 years

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed. Accordingly, encumbrances outstanding at year-end are not reported as reservations of fund balances, nor do they constitute expenditures or liabilities. Generally accepted accounting principles do not require encumbrance accounting.

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

During the year ended December 31, 2012 the County implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and during the year ended December 31, 2013 the County implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. As a result of these standards, certain items previously reported as assets and liabilities are now reported as deferred outflows and deferred inflows of resources.

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. The County does not have any of this type of item.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has unavailable property tax revenue classed as an inflow of resources.

Compensated Absences and Other Employee Benefits

Accumulated unpaid vacation, sick pay and other fringe benefits are not accrued since the amounts do not exceed a normal year's accumulation. These expenses are recorded as incurred.

Application of FASB Pronouncements

Proprietary activities apply all FASB statements and interpretations issued after November 30, 1989 except for those that conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted and Unrestricted Resources

When an expense is incurred for purposes for which there are both restricted and unrestricted net position unavailable, it is the County's policy to apply those expenses to the restricted net position to the extent such are available and then to the unrestricted net assets.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2- CONTINGENCIES

Litigation

Any legal contingencies are not anticipated to be in excess of insurance coverage except in the matter noted in the following paragraph.

The County has been sued for failing to roll back property tax in the amount of insurance premium taxes received in years 2006 through 2013 for the unincorporated areas. The County's position is the O.C.G.A 33-8-8-3 allows the use of the insurance premium tax for rural fire protection and solid waste collection. A settlement of \$25,000 was reached by both parties to settle the portion of the claim regarding rural fire protection. According to the County's attorney the solid waste collection portion remains unsettled but could cost the County an additional \$1,107,043 plus interest totaling \$122,405 and an unspecified amount of attorney's fees. Due to the uncertainty surrounding this claim no expenditures have been accrued as of December 31, 2014.

Grants

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 3- PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are generally levied by October 20, and are due by December 20. Property tax revenues are recognized when levied to the extent they result in current receivables. Taxes not collected within sixty days after the year end are reported as deferred inflows of resources as unavailable revenue at the fund level of reporting and as deferred inflows of resources as unearned revenue at the government-wide level of reporting.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4- DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental entities at December 31, 2014 are as follows:

		General Fund	SPLOST	Special Revenue	Total
Other governments	\$	-	-	2,686	\$ 2,686
State of Georgia:					
GDOT 5311-revenues		15,752	-	-	15,752
Sales Tax		<u>70,028</u>	<u>89,424</u>	<u>27,032</u>	<u>186,484</u>
Total Due from Other Governments	\$	<u>85,780</u>	<u>89,424</u>	<u>29,718</u>	\$ <u>204,922</u>

NOTE 5- RESTRICTED NET POSITION

Restricted net position is used to indicate that a portion of the net position is not appropriable for expenditure or is legally segregated for a specific future use. The following restricted net positions are used by Montgomery County:

Primary Government:

Special Revenue and Capital Projects Funds:

Restricted by ordinance	\$ 211,453
Restricted for projects financed by grant revenues	-
Restricted for projects financed by SPLOST	<u>428,435</u>

Total Restricted Fund Balance \$ 639,888

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6- CHANGES IN CAPITAL ASSETS

Primary government

Capital asset activity for the year ended December 31, 2014 was as follows:

	Primary Government			
	Balance			Balance
	January 1, 2014	Additions	Deletions	December 31, 2014
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	533,768	-	-	533,768
Total capital assets not being depreciated	533,768	-	-	533,768
Other capital assets:				
Buildings	5,536,307	160,287	-	5,696,594
Infrastructure	2,739,373	-	-	2,739,373
Office furniture and fixtures	255,037	3,934	-	258,971
Road machinery and equipment	3,607,907	967,327	363,748	4,211,486
Total capital assets	\$ 12,672,392	\$ 1,131,548	\$ 363,748	\$ 13,440,192
Accumulated depreciation				
Buildings	2,317,535	153,961	-	2,471,496
Infrastructure	774,509	100,070	-	874,579
Office furniture and fixtures	236,794	6,588	-	243,382
Road machinery and equipment	2,170,479	323,840	103,440	2,390,879
Less accumulated depreciation	5,499,317	584,459	103,440	5,980,336
Governmental activities capital assets, net	\$ 7,173,075	\$ 547,089	\$ 260,308	\$ 7,459,856

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

Governmental Activities:	
General Government	\$ 139,949
Judicial	393
Public Safety	147,139
Roads & bridges	248,778
Solid waste	34,513
Health & welfare	5,300
Recreation & culture	3,275
Community development	5,112
Total governmental activities depreciation expense	\$ 584,459

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6- CHANGES IN CAPITAL ASSETS(CONTINUED)

Discretely Presented Component Unit

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Equipment	\$ 71,439	\$ -	\$ (4,286)	\$ 67,153
Less accumulated depreciation	<u>(70,313)</u>	<u>(416)</u>	<u>4,286</u>	<u>(66,443)</u>
Component unit capital assets, net	\$ <u>1,126</u>	\$ <u>(416)</u>	\$ <u>-</u>	\$ <u>710</u>

NOTE 7- CHANGES IN LONG-TERM DEBT

Capital Leases

The County has entered into lease agreements to acquire or obtain the use of equipment. Those lease terms are for 3 -7 years. The amount necessary to reduce net minimum lease payments to present value is calculated by using the implicit rates at the inception of the lease. The lease payments are expected to remain the same throughout the term of the lease. In most cases, title transfers to the County at the end of the lease.

Equipment	\$ 1,451,610
Additions	911,272
Less: equipment paid off	(466,813)
Less: accumulated depreciation	<u>(41,890)</u>
Total	\$ <u>1,854,179</u>
Capital leases payable at January 1, 2014	\$ 1,148,149
Additions	791,272
Payments	<u>(707,983)</u>
Capital leases payable at December 31, 2014	\$ <u>1,231,438</u>

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7- CHANGES IN LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

The following is a schedule by year of the future minimum lease payments under capital leases together with the present value of the minimum lease payments as of December 31, 2014:

<u>Years Ending December 31,</u>	<u>Present Value Minimum Lease Payments</u>	<u>Interest</u>	<u>Minimum Lease Payments</u>
2015	\$ 287,341	23,665	\$ 311,006
2016	264,028	18,814	282,842
2017	92,987	13,820	106,807
2018	204,470	11,981	216,451
2019 & thereafter	<u>382,612</u>	<u>7,802</u>	<u>390,414</u>
Total	\$ <u>1,231,438</u>	<u>76,082</u>	\$ <u>1,307,520</u>

Notes payable

Primary government

Notes payable January 1, 2014	\$ -
Additions	410,127
Payments	<u>(290,127)</u>
Notes payable December 31, 2014	\$ <u>120,000</u>

The purpose of this note payable was for replacement of the courthouse roof and construction of a new office for the Sheriff Department. The debt was repaid by operating revenues of the County. The additional note payment of \$120,000 was for the Montgomery County Development Authority to purchase a building for possible resale to a potential buyer. The note will be paid according to the following schedule: eleven consecutive payments of interest only varying between \$308 and \$341 beginning on June 22, 2014 and continuing on the same day of each month thereafter. One final balloon payment of \$120,000 will be due on May 22, 2015. The interest rate on this note is 3.25%.

The amount of interest cost allocated to the different functions on the government-wide statement of activities for the year ended December 31, 2014 was \$28,265.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8-CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial credit risk is the risk that in the event of bank failure the County's deposits may not be returned to it. To address custodial risk it is the County's policy for deposits to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation insurance. The County's deposits are categorized to give an indication of the level of risk assumed by the County at December 31, 2014. The County was fully collateralized as of December 31, 2014.

The categories are described as follows:

- Category 1- Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2- Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3- Uncollateralized

Primary Government

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Total Deposits	\$ <u>4,605,041</u>	\$ <u>4,605,041</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,861,060</u>

Discretely Presented Component Unit

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Montgomery County Board of Health	\$ <u>286,090</u>	\$ <u>286,090</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>270,623</u>

NOTE 9-RELATED PARTY TRANSACTION

During 2014, the County paid Hooks Construction, Inc. to perform certain road work through another contractor. The owner of Hooks Construction, Inc. is a related party to a county official. These transactions were conducted using the same procedures as any other transactions.

NOTE 10- RISK MANAGEMENT

Type of Risk

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Montgomery County has joined together with other governments to form a public entity risk pool currently operating as a common risk management and insurance program for combined property and liability insurance. The County pays an annual premium to the pool for its insurance coverage. The agreement for formation of ACCG-Inter-local Risk Management Agency provides that the pool will be self sustaining through member premiums. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The pooling agreement requires the pool to be self-sustaining. It is not possible for the County to estimate the range of contingent losses. At December 31, 2014, the County was not aware of any asserted claims that exceed the County's insurance coverage. The County's only risk of loss would occur if the loss exceeded the limit of liability stated in the policy.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers compensation laws of the state of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the other members, all interest accruing after entry of judgment, and all expenses for investigations, negotiation or defense.

Pursuant to Title 34, Chapter 9, Article 5 of the Official Code of Georgia Annotated, Montgomery County became a member of the Georgia Municipal Association Workers' Compensation Self Insurance Fund. The liability of the fund to employees of any employer (Montgomery County) is specifically limited to such obligations as are imposed by applicable state laws against the employer for workers' compensation and/or employer's liability. The County pays an annual premium to the pool for it insurance coverage.

The fund is to defend, in the name of and on behalf of the members, any suits or other proceedings which may at any time be instituted against them on account of injuries or death within the purview of the Workers' Compensation law of Georgia, or on the basis of employer's liability, including suits or other proceedings alleging such injuries and demanding damages or compensation therefore, although such suits, other proceedings, allegations or demands be wholly groundless, false or fraudulent. The Fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

NOTE 11- INVESTMENT IN JOINT VENTURE

Montgomery County, in conjunction with cities and counties in the Heart of Georgia area are members of the Heart of Georgia Altamaha Regional Commission. Membership in a Regional Commission is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RC's. Each county and municipality in the state is required by law to pay minimum annual dues to the Regional Commission. The county paid annual dues in the amount of \$5,073 to the Commission for the year ended December 31, 2014. The Regional Commission Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the non-public Board member from the County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines Regional Commissions as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RC beyond its resources. (O.C.G.A. 50-8-39.1)

Complete financial statements of the Regional Commission are at the administrative office.

Heart of Georgia Altamaha Regional Commission
5405 Oak Street
Eastman, GA 31023

NOTE 12- OPERATING LEASE COMMITMENTS

As of August 20, 2004, Montgomery County entered into a ten-year operating lease with The Refuge Domestic Violence Shelter, Inc. allowing the shelter to rent of one of the County's buildings for \$1 per year. The lease grants The Refuge Domestic Violence Shelter the right to renew the lease for three successive terms of ten years each.

NOTE 13- SENIOR CITIZENS NUTRITION FUND

Beginning December, 1992, Montgomery County was awarded funds for the purpose of planning and administering services authorized by the Older Americans Act. The County entered into a management contract with the Heart of Georgia Altamaha Regional Development Council. The same organization administers the program for the fiscal year July 1, 2014 through June 30, 2015. This program receives federal money passed through the Heart of Georgia under the Older Americans Act, Federal Domestic Assistance Number 13-365. The federal percentage of funds passed through is 85%. The state percentage of the funds passed through is 5%. Local funds and in kind costs are 10% and are provided by the County. The United Way also contributed \$22,026 to this program during calendar year 2014. The financial statements for this fund are included in this report under non-major governmental funds section.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 13- SENIOR CITIZENS NUTRITION FUND – (CONTINUED)

The revenues and expenditures by contract are as follows:

		<u>Revenues</u>	<u>Expenditures</u>
Contract HGAAAA-2014-11	\$	27,076	27,076
Contract HGAAAA 2015-11		27,076	27,076
	\$	<u>54,152</u>	<u>54,152</u>

Salaries for this program are presented below as required by the Department of Human Resources:

<u>EMPLOYEE</u>		<u>SALARY</u>
Kathleen D. Fennel	\$	16,258
Sylvia Fowler		14,551
Helen Graham		4,011
James Selph		4,155
	\$	<u>38,975</u>

The program operated two vehicles during this period:

<u>Year Model</u>	<u>Make</u>	<u>Model</u>	<u>Body Style</u>	<u>Manufacture's ID #</u>
2004	Buick	LeSabre	4 Dr.	1G4HPSZK74U196040
1996	Ford	Crown Victoria	4 Dr.	2FALP74W1TX192976

NOTE 14- LANDFILL CLOSURE AND POST-CLOSURE CARE

The Montgomery County landfill ceased operation in June, 1989. All federal, state, and local landfill closure and post-closure requirements have been met. No further action is required.

NOTE 15- OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the Combined Statements, certain information concerning individual funds including:

- A. Summary disclosure of changes in general capital assets by major asset class. This requirement has been met by Note 6.
- B. Summary of disclosure of debt service requirements to maturity for all types of outstanding debt. This requirement has been met by Note 7.
- C. Summary disclosure of changes in general long-term debt. This requirement has been met by Note 7.

MONTGOMERY COUNTY COMMISSIONERS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 15- OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)

- D. There were no deficit fund balances at December 31, 2014.
- E. Inter-fund balances at December 31, 2014 consisted of the receivables, payables, and transfers in the following tables. These balances resulted from the time lag between the dates that inter-fund goods and services were provided, transactions were recorded in the accounting system, and payments between funds were made. Transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. Please see the following tables for the receivables, payables, and transfers in and out. The County sold equipment and the proceeds of \$12,500 were deposited in the Splost Fund in error and re-classed to the appropriate fund during the audit, also the General Fund paid 2014 Splost expenditures in error in the amount of \$429. As of December 31, 2014, the Splost fund has not reimbursed the General Fund the proceeds of \$12,929. The General Fund transferred \$91,500 to the Montgomery County Development Authority for the one mill of tax; the Project Fund transferred \$18,504 to the General Fund for Sheriff's Department lease payment; the General Fund transferred \$230,845 of expenditures to the E911 Fund and the E911 fund transferred \$98,858 to the General Fund to assist with salary expenditures; the Nutrition Fund transferred \$29,209 to the General Fund for salary reimbursement; the T Splost fund transferred \$60,000 to the General Fund to assist with road repair and maintenance; and the General Fund transferred \$6,610 to the Project Fund to assist with the Courthouse wall construction.

	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 12,929	\$ -
Splost fund	-	12,929
Total	\$ <u>12,929</u>	\$ <u>12,929</u>

	<u>Transfers in</u>	<u>Transfers out</u>
Primary government		
Major fund - General	\$ 206,571	\$ 328,955
Non-major fund - Project Fund	6,610	18,504
Non-major fund - E911 Fund	131,987	-
Non-major fund - Senior Nutrition Fund	-	29,209
Non-major fund - T splost Fund	-	60,000
Non-major fund - Development Authority	<u>91,500</u>	<u>-</u>
Total Primary government	\$ <u>436,668</u>	\$ <u>436,668</u>

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget		Actual	Variance with final budget
	Original	Final		Positive(Negative)
Taxes:				
Property taxes (including interest and cost)	\$ 2,396,957	\$ 2,324,954	\$ 2,324,954	\$ -
Timber tax	40,000	61,689	61,689	-
Motor vehicle taxes	200,000	209,888	209,888	-
Mobile Home tax	19,000	26,370	26,370	-
TAVT tax	65,000	230,484	230,484	-
Real estate transfer tax	20,000	21,135	21,135	-
Franchise tax	150	11,009	11,009	-
General sales and use tax	300,000	267,282	267,282	-
Alcoholic beverage tax	23,000	22,800	22,800	-
Insurance premium tax	210,000	241,480	241,480	-
Total	3,274,107	3,417,091	3,417,091	-
Licenses and Permits:				
Business Licenses	20,000	13,218	13,218	-
Other licenses	-	-	-	-
Total	20,000	13,218	13,218	-
Intergovernmental				
State government grants	-	-	-	-
Transit DOT Sec. 5311 Revenues	28,000	30,380	30,380	-
Transit Revenues - Middle GA. CA	9,000	11,053	11,053	-
EMA grant	-	8,500	8,500	-
DOT Safety grant	-	289,215	289,215	-
Total	37,000	339,148	339,148	-
Charges for Services				
Election qualifying fees	1,200	1,834	1,834	-
Recyclable revenues	600	7,759	7,759	-
Fees for collecting school tax	52,868	58,347	58,347	-
Total	54,668	67,940	67,940	-
Fines and forfeits:				
Total	144,009	184,253	184,253	-
Miscellaneous:				
Interest	4,000	3,662	3,662	-
Building rent	12,000	15,184	15,184	-
Pipe sales	2,500	5,094	5,094	-
Other	-	19,731	19,731	-
Total	18,500	43,671	43,671	-
Other financing sources				
Sale of capital assets	-	-	-	-
Proceeds from debt	166,018	373,527	373,527	-
Operating Transfer in	182,000	-	-	-
Total General Fund Revenues	\$ 3,896,302	\$ 4,438,848	\$ 4,438,848	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget			Variance with final budget
	Original	Final	Actual	Positive(Negative)
General Government:				
Board of Commissioners:				
Operating expenditures	44,215	44,538	44,538	-
Total	44,215	44,538	44,538	-
Board of Elections:				
Personal services	32,380	30,225	30,225	-
Operating expenditures	60,745	38,663	38,663	-
Total	93,125	68,888	68,888	-
Financial Administration:				
Personal services	106,827	108,597	108,597	-
Operating expenditures	122,298	105,278	105,278	-
Total	229,125	213,875	213,875	-
Legal:				
Operating expenditures	10,455	63,333	63,333	-
Total	10,455	63,333	63,333	-
Office of Tax Commissioner:				
Personal services	90,699	93,772	93,772	-
Operating expenditures	27,100	30,196	30,196	-
Total	117,799	123,968	123,968	-
Office of Tax Assessor:				
Personal services	89,527	85,649	85,649	-
Operating expenditures	60,084	55,055	55,055	-
Total	149,611	140,704	140,704	-
Coroner:				
Operating Expenditures	10,300	14,112	14,112	-
Total Coroner	10,300	14,112	14,112	-
General Gov't Buildings and PLT:				
Operating Expenditures	115,287	91,909	91,909	-
Total	115,287	91,909	91,909	-
Total General Government Expenditures	\$ 769,917	\$ 761,327	\$ 761,327	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

Judicial:	Budget			Variance with final budget
	Original	Final	Actual	Positive(Negative)
Superior Court:	\$	\$	\$	\$
Personal services	-	-	-	-
Operating expenditures	62,677	61,547	61,547	-
Total	62,677	61,547	61,547	-
Office of the Clerk of Courts:				
Personal services	104,024	98,512	98,512	-
Operating expenditures	21,085	17,516	17,516	-
Total	125,109	116,028	116,028	-
Magistrate Court:				
Personal services	71,406	72,245	72,245	-
Operating expenditures	9,200	6,394	6,394	-
Total	80,606	78,639	78,639	-
Probate Court:				
Personal services	95,582	94,350	94,350	-
Operating expenditures	14,775	8,404	8,404	-
Total	110,357	102,754	102,754	-
Total Judicial Expenditures	378,749	358,968	358,968	-
Public Safety:				
Office of Sheriff:				
Personal services	468,124	535,277	535,277	-
Operating expenditures	449,575	329,524	329,524	-
Total	917,699	864,801	864,801	-
Other Public Safety Programs:				
Jail operating expenditures	-	-	-	-
Rural fire protection	90,000	90,539	90,539	-
EMS	222,385	194,381	194,381	-
E-911	107,934	-	-	-
Emergency management	46,139	48,103	48,103	-
Total	466,458	333,023	333,023	-
Total Public Safety Expenditures	\$ 1,384,157	\$ 1,197,824	\$ 1,197,824	\$ -

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget			Variance with final budget
	Original	Final	Actual	Positive(Negative)
Roads and Bridges:				
Personal services	\$ 286,064	\$ 264,319	\$ 264,319	\$ -
Operating expenditures	<u>185,281</u>	<u>601,701</u>	<u>601,701</u>	<u>-</u>
Total Roads and Bridges	<u>471,345</u>	<u>866,020</u>	<u>866,020</u>	<u>-</u>
Solid Waste				
Personal Services	157,928	147,848	147,848	-
Operating Expenditures	<u>66,644</u>	<u>62,107</u>	<u>62,107</u>	<u>-</u>
Total Solid Waste	<u>224,572</u>	<u>209,955</u>	<u>209,955</u>	<u>-</u>
Health and Welfare:				
Public health	67,172	67,364	67,364	-
Aid to Dependent Children	5,520	5,520	5,520	-
Senior Citizen's Center	61,260	62,113	62,113	-
Transit	<u>66,827</u>	<u>71,478</u>	<u>71,478</u>	<u>-</u>
Total Health and Welfare	<u>200,779</u>	<u>206,475</u>	<u>206,475</u>	<u>-</u>
Recreation and Culture:				
Recreation	15,000	-	-	-
Library	19,000	19,124	19,124	-
Adult Basic Education	7,475	7,933	7,933	-
Forest Resources	<u>18,408</u>	<u>17,385</u>	<u>17,385</u>	<u>-</u>
Total Recreation and Culture	<u>59,883</u>	<u>44,442</u>	<u>44,442</u>	<u>-</u>
Community Development				
County Extension	66,769	65,540	65,540	-
Economic Development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Community Development	<u>66,769</u>	<u>65,540</u>	<u>65,540</u>	<u>-</u>
Other financing sources (uses):				
Transfers out	90,000	122,384	122,384	-
Debt service	48,813	290,127	290,127	-
Lease payments	28,000	45,547	45,547	-
Interest on debt	<u>7,300</u>	<u>6,184</u>	<u>6,184</u>	<u>-</u>
Total other financing sources (uses)	<u>174,113</u>	<u>464,242</u>	<u>464,242</u>	<u>-</u>
Capital Outlay	<u>193,999</u>	<u>176,481</u>	<u>176,481</u>	<u>-</u>
Total General Fund Expenditures	<u>\$ 3,924,283</u>	<u>\$ 4,351,274</u>	<u>\$ 4,351,274</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 – BUDGET POLICY

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. The budget was amended to reflect excess expenditures over appropriations at December 31, 2014.

NOTE 2 – EXCESS EXPENDITURES OVER APPROPRIATIONS

General Fund

None; however, the original budget did not balance due to a clerical error made when calculating revenues. The original General Fund budget is out of balance by \$27,981.

SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, GEORGIA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Drug Education	Special Drug Forfeiture	Senior Nutrition Fund	E - 911	Court (Jail) Fee Fund	Law Library	Development Authority	T-Splost Fund	Project Fund	Total Nonmajor Governmental Funds
Assets										
Cash and cash equivalents	\$ 19,178	\$ 3,097	\$ 4,591	\$ 1,839	\$ 663	\$ 6,109	\$ 44,940	\$ 25,393	\$ 67,718	\$ 173,528
Other receivable	-	-	-	-	-	-	-	-	-	-
Due from other governments	832	-	-	-	1,049	805	-	27,032	-	29,718
Accounts Receivable	-	-	-	16,745	-	-	-	-	-	16,745
Total assets	20,010	3,097	4,591	18,584	1,712	6,914	44,940	52,425	67,718	219,991
Liabilities and Fund Balances										
Liabilities										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	-	1,905	-	-	1,905
Interfund Payable	-	-	-	-	-	-	-	-	-	-
Due to others	-	2,042	4,591	-	-	-	-	-	-	6,633
Total liabilities	-	2,042	4,591	-	-	-	1,905	-	-	8,538
Fund Balances										
Fund balance:										
Restricted	20,010	1,055	-	18,584	1,712	6,914	43,035	52,425	67,718	211,453
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	20,010	1,055	-	18,584	1,712	6,914	43,035	52,425	67,718	211,453
Total Liabilities and Fund Balances	20,010	3,097	4,591	18,584	1,712	6,914	44,940	52,425	67,718	219,991

MONTGOMERY COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES -- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Drug Education	Special Drug Forfeiture	Senior Nutrition Fund	E-911	Court (Jail) Fee Fund	Law Library	Development Authority	T-Splost Fund	Project Fund	Total Nonmajor Governmental Funds
Revenues:										
Grants	\$ -	\$ -	\$ 76,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 284,969	\$ 361,147
Charges for services	-	-	-	121,832	-	-	-	-	-	121,832
State of Georgia	-	-	-	-	-	-	-	214,495	-	214,495
Fines, Forfeitures, & Court Fees	5,314	-	-	-	17,242	7,257	-	-	-	29,813
Donations	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	6,704	-	-	-	2,359	-	9,060	18,123
Interest	48	9	-	87	49	14	211	102	507	1,027
Total revenues	5,362	9	82,882	121,919	17,291	7,271	2,570	214,597	294,536	746,437
Expenditures:										
Current operating:										
General government	-	-	-	-	-	-	-	4,157	7,135	11,292
Roads & bridges	-	-	-	-	-	-	-	75,662	284,069	359,731
Judicial	-	-	-	-	-	2,438	-	-	-	2,438
Public safety	1,792	400	-	252,445	7,454	-	-	-	-	262,091
Health & Welfare	-	-	58,458	-	-	-	-	-	-	58,458
Community Development	-	-	-	-	-	-	97,934	-	-	97,934
Capital outlay	-	-	-	166,019	11,705	3,934	120,000	75,131	29,168	405,957
Debt service										
Principal	7,603	-	-	-	13,059	-	-	-	-	20,662
Interest	423	-	-	-	797	-	-	-	-	1,220
Total expenditures	9,818	400	58,458	418,464	33,015	6,372	217,934	154,950	320,372	1,219,783
Excess revenues(expenditures):	(4,456)	(391)	24,424	(296,545)	(15,724)	899	(215,364)	59,647	(25,836)	(473,346)
Other financing sources(uses):										
Lease proceeds	-	-	-	166,019	-	-	-	-	-	166,019
Loan proceeds	-	-	-	-	-	-	120,000	-	-	120,000
Operating transfers in/(out)	-	-	(29,209)	131,987	-	-	91,500	(60,000)	(11,894)	122,384
Total other financing sources(uses)	-	-	(29,209)	298,006	-	-	211,500	(60,000)	(11,894)	408,403
Net change in fund balances	(4,456)	(391)	(4,785)	1,461	(15,724)	899	(3,864)	(353)	(37,730)	(64,943)
Fund balance - beginning of year	24,466	1,446	4,785	17,123	17,436	6,015	46,899	52,778	105,448	276,396
Fund balance - end of year	\$ 20,010	\$ 1,055	\$ -	\$ 18,584	\$ 1,712	\$ 6,914	\$ 43,035	\$ 52,425	\$ 67,718	\$ 211,453

MONTGOMERY COUNTY, GEORGIA
FIDUCIARY FUND FINANCIAL STATEMENTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
DECEMBER 31, 2014

	Tax Commissioner	Clerk of Courts	Probate Court	Office of Sheriff	Magistrate Court	Agency Fund Total
<u>Assets</u>						
Cash	\$ 14,312	\$ 40,080	\$ 42,888	\$ 21,805	\$ 3,549	\$ 122,634
Due from Others (Current)	-	-	7,853	-	8,582	16,435
Taxes receivable	1,308,632	-	-	-	-	1,308,632
Total assets	<u>1,322,944</u>	<u>40,080</u>	<u>50,741</u>	<u>21,805</u>	<u>12,131</u>	<u>1,447,701</u>
<u>Liabilities</u>						
Liabilities:						
Due to others (current)	14,312	40,080	50,741	21,805	12,131	139,069
Deferred taxes	1,308,632	-	-	-	-	1,308,632
Total liabilities	<u>\$ 1,322,944</u>	<u>\$ 40,080</u>	<u>\$ 50,741</u>	<u>\$ 21,805</u>	<u>\$ 12,131</u>	<u>\$ 1,447,701</u>

INDEPENDENT AUDITORS' REPORT ON SCHEDULE
OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

To the Montgomery County Commissioners
Montgomery County, Georgia

We have audited the accompanying Schedule of Special Local Option Sales Tax for Montgomery County, Georgia, for the year ended December 31, 2014. This schedule is the responsibility of Montgomery County's management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting, and is not intended to be a complete presentation of Montgomery County's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in Montgomery County's resolution or ordinance calling for the tax for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

October 23, 2015

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Project	Original Estimated Cost	Current Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
SPLOST - 2009					
Roads and Bridges	\$ 1,800,000	1,800,000	1,224,532	616,622	1,841,154
Solid Waste	150,000	150,000	3,693	2,710	6,403
Ambulances	180,000	180,000	22,157	4,692	26,849
Fire Equipment	535,000	535,000	336,509	3,869	340,378
Municipalities:					
City of Ailey	326,900	326,900	190,337	33,268	223,605
City of Alston	100,405	100,405	58,461	10,218	68,679
City of Higgston	200,810	200,810	118,803	20,439	139,242
City of Mount Vernon	1,309,935	1,309,935	762,706	133,309	896,015
City of Tarrytown	63,045	63,045	37,852	6,416	44,268
City of Uvalda	333,905	333,905	194,414	33,981	228,395
Subtotal - Municipalities	2,335,000	2,335,000	1,362,573	237,631	1,600,204
Total 2009 SPLOST	\$ 5,000,000	\$ 5,000,000	\$ 2,949,464	\$ 865,524	\$ 3,814,988
Reconciling item:					
Capital lease payments on equipment				641,774	
Total 2014 SPLOST expenditures agrees to page 8 of the financial statements				\$ 1,507,298	

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

To the Montgomery County Commissioners
Mount Vernon, Georgia 30445

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montgomery County, Georgia, as of and for the year then ended December 31, 2014 and the related notes to the financial statements which collectively comprise Montgomery County, Georgia's basic financial statements and have issued our report thereon dated October 23, 2015.

We did not audit the financial statements of the Montgomery County Board of Health (discretely presented component unit) as of June 30, 2014, and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for Montgomery County, Georgia, was based solely on the report of the other auditor.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses. The reference numbers are 09-01 through 09-03 on pages 46 and 47.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not note any significant deficiencies in the following schedules.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no finding of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to the management of Montgomery County, Georgia in a separate letter dated October 23, 2015.

Montgomery County, Georgia's Response to Findings

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

Purpose of this Report

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

Vidalia, Georgia
October 23, 2015

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL STATEMENT FINDINGS

09-01 Lack of Segregation of Duties:

Condition: The County's clerical staff consists of two people, the County Clerk and the County Manager. The County Clerk performs all non-cash receipts and cash disbursement functions for the County with little or no supervisor or review. There is no separation of duties in the performance of accounting functions. Also, there is a lack of segregation of duties in the offices of the Probate Court, Clerk of Court, Magistrate Court, Sheriff's Office, Tax Commissioner's Office, and the Board of Commissioner's Office. These situations pose dangers in that intentional or unintentional errors could occur and not be detected in a timely manner.

Criteria: Internal controls should be in place which would provide reasonable assurance that an individual cannot misappropriate funds without such an act being detected during the normal course of business.

Effect: Failure to properly segregate duties between recording, processing, and reconciliation of cash and bank accounts can lead to misappropriation of funds the act of which might not be detected in the normal course of business.

Recommendation: The duties of recording, processing, and reconciliation of cash and bank accounts should be segregated between employees.

Response: We agree with the recommendation concerning a lack of segregation of duties. Each elected official is reviewing this condition in his or her office to determine the most efficient and effective solution to segregating the duties between recording, processing and reconciliation of cash and bank accounts to provide reasonable assurance that an individual cannot misappropriate funds without such an act being detected during the normal course of business.

Current Status: This condition remains unchanged at December 31, 2014.

09-02 Lack of General Ledger and Financial Statement Review

Condition: There were instances of expenditures being posted to the wrong accounts. There were debit balances in the liability accounts.

Criteria: Internal controls should be in place that provides reasonable assurance that all entries in the general ledger and financial statements are properly classified and that all entries are recorded.

Effect: Failure to properly classify entries, failure to record necessary entries will cause the financial statements to be misleading and not match the related budgeted items.

Recommendation: Once the final postings are made to the general ledger each month, a thorough review of each account in the general ledger should be made to identify and correct any misclassifications or allocations.

Response: We agree with this recommendation. Once the accounting clerk has entered the information into the general ledger each month, a thorough review of each account will be made by the clerk as well as the chief financial officer.

Current Status: This condition remains unchanged at December 31, 2014.

MONTGOMERY COUNTY, GEORGIA
SCHEDULE OF FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL STATEMENT FINDINGS (CONTINUED)

09-03 Reconciliation of Balance Sheet Accounts – Material Weakness

Condition: Payroll liability accounts, cash accounts, and receivable accounts are not being reconciled on a regular basis.

Criteria: Policies and procedures should be in place to ensure that all asset and liability general ledger accounts are reconciled in a timely manner.

Effect: The financial statements are sensitive to material misstatements and the ability to detect material misstatements is significantly decreased.

Recommendation: Policies and procedures should be implemented to ensure that appropriate accounts are reconciled in a timely manner and that the internal control procedure is constantly monitored by management personnel.

Response: We agree with this recommendation. An outside internal control specialist will aid in instituting proper procedures to ensure all accounts are reconciled in a timely manner.

Current Status: This condition remains unchanged at December 31, 2014.