

STEPHENS COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

STEPHENS COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners
of Stephens County, Georgia
Toccoa, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Stephens County, Georgia**, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stephens County, Georgia'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 Stephens County Department of Public Health, which statements reflect total assets of \$583,442 as of June 30, 2014, and total revenues of \$662,053 for the year ended June 30, 2014. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Stephens County Department of Public Health, is based solely on the report of the other auditor. 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stephens County, Georgia as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the E911 Fund, for the year then ended in accordance 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 the Management's Discussion and Analysis (on pages 4 through 11) 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 Stephens County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds 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 nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of Stephens County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stephens County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
December 1, 2014

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STEPHENS COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

This section of Stephens County, Georgia's ("the County") annual financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of Stephens County exceeded its liabilities at June 30, 2014, by approximately \$62.15 million (net position). Of this amount, \$4.69 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At fiscal year-end June 30, 2014, the County's General Fund reported a total fund balance of \$7,308,381.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Stephens County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Stephens County's finances, in a manner similar to a private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the Primary Government. There are two government-wide statements, the statement of net position and the statement of activities, which are described below.

The statement of net position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. It is important to note that this statement consolidates the governmental funds' current financial resources (short-term) with capital assets and long-term liabilities.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities of the County include general government, judicial, public safety, public works, health and welfare, recreation, and housing and development.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements include not only Stephens County itself (known as the primary government), but also the Stephens County Health Department. These are legally separate entities that are component units of the County due to the significance of their operational or financial relationships with the County. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Stephens County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Stephens County maintains governmental funds to account for the following activities: **General**; **Special Revenue** (E911, Jail, Water Lines, Juvenile Supervision, Drug Rehabilitation, Drug Task Force, Jail Commissary, Hotel/Motel Tax, Law Library and Grants); and **Capital Projects** (2004 SPLOST, 2009 SPLOST and Operational Capital).

Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, E911, and SPLOST funds, which are considered major funds. Data from the other governmental funds are combined into a single, aggregated column. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Stephens County adopts an annual appropriated budget for its general, special revenue and proprietary funds. A budgetary comparison statement has been provided for the General and E911 Fund within the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. Services for which the government charges customers a fee are generally reported in proprietary funds. The Solid Waste Management Fund is a major enterprise fund and its business-like activities are reported with detail including cash flows.

Fiduciary funds. Agency funds are custodial in nature; the only required financial statements are the balance sheet and statement of fiduciary assets and liabilities. Fiduciary funds are not reflected in the government-wide financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceed liabilities by \$62,152,936 at the close of the most recent fiscal year.

A large portion of the County's net position, 87%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related 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. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Stephens County's Net Position <i>(in millions of dollars)</i>							
	Governmental Activities		Business-type Activities		Total		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current and other assets	\$ 12.10	\$ 11.79	\$ -	\$ -	\$ 12.10	\$ 11.79	(2.56) %
Capital assets	58.67	56.81	0.54	0.53	59.21	57.34	(3.16)
Total assets	<u>70.77</u>	<u>68.60</u>	<u>0.54</u>	<u>0.53</u>	<u>71.31</u>	<u>69.13</u>	(3.06)
Long-term liabilities outstanding	3.32	2.57	0.03	0.03	3.35	2.60	(22.39)
Other liabilities	1.76	1.63	2.71	2.75	4.47	4.38	(2.01)
Total liabilities	<u>5.08</u>	<u>4.20</u>	<u>2.74</u>	<u>2.78</u>	<u>7.82</u>	<u>6.98</u>	(10.74)
Net position:							
Net investment in capital assets	54.70	53.66	0.54	0.53	55.24	54.19	(1.90)
Restricted for							
Capital Projects/E911	3.09	3.27	-	-	3.09	3.27	5.83
Unrestricted	<u>7.90</u>	<u>7.47</u>	<u>(2.74)</u>	<u>(2.78)</u>	<u>5.16</u>	<u>4.69</u>	(9.11)
Total net position	<u>\$ 65.69</u>	<u>\$ 64.40</u>	<u>\$ (2.20)</u>	<u>\$ (2.25)</u>	<u>\$ 63.49</u>	<u>\$ 62.15</u>	(2.11)

Unrestricted net position of \$4.69 million may be used to meet the government's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, Stephens County is able to report positive balances in all categories of net position for the government as a whole.

Stephens County's Changes in Net Position (in millions of dollars)

	Governmental Government Activities		Business-type Activities		Total Activities		Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Revenues							
Program revenues:							
Charges for services	\$ 2.52	\$ 2.53	\$ 0.03	\$ 0.02	\$ 2.55	\$ 2.56	0.25 %
Operating grants and contributions	0.24	0.21	-	-	0.24	0.21	(10.93)
Capital grants and contributions	0.54	0.37	-	-	0.54	0.37	(31.21)
General revenues:							
Property taxes	7.23	7.26	-	-	7.23	7.26	0.46
Other taxes	4.14	4.59	-	-	4.14	4.59	10.90
Investment income	0.01	0.00	-	-	0.01	0.00	(78.73)
Gain on sale of capital assets	0.01	0.02	-	-	0.01	0.02	-
Total revenues	<u>14.69</u>	<u>14.98</u>	<u>0.03</u>	<u>0.02</u>	<u>14.72</u>	<u>15.01</u>	1.96
Expenses							
General government	2.54	2.39	-	-	2.54	2.39	(5.91)
Judicial	1.36	1.36	-	-	1.36	1.36	(0.16)
Public safety	6.17	5.36	-	-	6.17	5.36	(13.06)
Public works	2.76	3.70	-	-	2.76	3.70	34.09
Health and welfare	1.68	1.65	-	-	1.68	1.65	(1.99)
Recreation	0.82	0.78	-	-	0.82	0.78	(4.59)
Housing & development	0.38	0.33	-	-	0.38	0.33	(12.42)
Interest on long-term debt	0.17	0.12	-	-	0.17	0.12	(29.98)
Solid waste	-	-	1.89	0.65	1.89	0.65	(65.43)
Total expenses	<u>15.88</u>	<u>15.69</u>	<u>1.89</u>	<u>0.65</u>	<u>17.77</u>	<u>16.34</u>	(8.02)
Transfers	<u>(0.72)</u>	<u>(0.58)</u>	<u>0.72</u>	<u>0.58</u>	<u>-</u>	<u>-</u>	
Change in net position	(1.91)	(1.29)	(1.14)	(0.05)	(3.05)	(1.34)	56.21
Net position, beginning of year	67.60	65.69	(1.06)	(2.20)	66.54	63.49	(4.58)
Net position, end of year	<u>\$ 65.69</u>	<u>\$ 64.40</u>	<u>\$ (2.20)</u>	<u>\$ (2.25)</u>	<u>\$ 63.49</u>	<u>\$ 62.15</u>	(2.10)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The changes in net position between fiscal years 2013 and 2014 were affected by the following:

- Net change in total revenues is an increase of 1.96%.
- Capital grants and contributions revenue decreased 31.21% from the Tugaloo Corridor Grant and DOT Striping Grant.
- Net change in total expenses is a decrease of 7.97%.
- Public Works is an increase of 34.09% from LMIG resurfacing and purchase of equipment through SPLOST V.
- Interest on long term debt decreased 24.10% from the structure of the jail and fire trucks debt with a diminishing interest amount each month.
- Solid Waste expenses decreased 65.43% due to significant amount of payments in closure/post closure costs.
- Total net position resulted in a net decrease of 2.12%.

Business-type activities.

- The Stephens County Solid Waste Management has continued to produce an operating loss of \$628,432 before interest and transfers from the General Fund. While this fund operates with a deficit each year, it decreased from last year due to contractual services for closure of the landfill.
- A transfer of funds was made from the General Fund back to the Solid Waste Fund in the amount of \$575,335 due to the closure costs and operational needs of the landfill.

Financial Analysis of the Government's Funds

Governmental funds. The focus of Stephens County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund

The General Fund is the chief operating fund of Stephens County. At the end of the current fiscal year, non-spendable fund balance was \$45,751 for prepaid items, assigned fund balance of the General Fund was \$2,744,391 for landfill post closure care costs, \$696,357 for capital improvements, \$3,239,639 for FY2014 budget and unassigned was \$582,243, while the total fund balance was \$7,308,381.

As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Non-spendable fund balance represents .39% of total general fund expenditures, assigned fund balance represents 56.91%, unassigned fund balance represents 4.96%, while total fund balance represents 62.26% of that same amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPLOST 2004 and 2009

SPLOST (Special purpose local option sales tax) Referendum passed on March 18, 2003 and November 6, 2007, respectively. Proceeds of \$15,500,000 (2003) and \$25,640,000 (2007) will fund multiple capital projects started in 2004 and 2008, respectively. At the end of the current fiscal year, combined SPLOST expenditures were \$1.52 million, revenues were \$1.65 million leaving a fund balance of \$2.79 million. Project spending for SPLOST 2004 was completed last fiscal year while SPLOST 2008 is in its sixth and final year. Sales tax revenues were for SPLOST 2008.

Proprietary funds. Stephens County's proprietary fund provides that same type of information found in the government-wide financial statements, but in more detail. The County's only proprietary fund is the Solid Waste Management Fund.

Solid Waste Management

At the end of the current fiscal year, unrestricted net position for the Solid Waste Management fund was \$(2,241,143) as this fund operates with a deficit each year requiring transfers from the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board of Commissioners revised the County budget on multiple occasions to avoid budget overruns.

Capital Asset and Debt Administration

Capital assets. Stephens County's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$56,809,334 (net of accumulated depreciation). This investment in capital assets includes land, site improvements, buildings, machinery and equipment, and infrastructure.

Stephens County's Capital Assets (net of depreciation)

	Governmental Activities		Percentage Change
	2013	2014	2013-2014
Land	\$ 1,122,103	\$ 1,122,103	- %
Buildings and improvements	20,795,292	20,298,560	(2.39)
Machinery and equipment	3,130,342	2,916,817	(6.82)
Infrastructure	33,624,008	32,471,854	(3.43)
Total	<u>\$ 58,671,745</u>	<u>\$ 56,809,334</u>	(3.17)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt. Stephens County's long-term debt for the year ended June 30, 2014, is summarized below.

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital leases	\$ 911,157	\$ -	\$ (477,349)	\$ 433,808
Note payable	3,174,459	-	(340,120)	2,834,339
Compensated absences	190,420	87,377	(101,627)	176,170
Total	<u>\$ 4,276,036</u>	<u>\$ 87,377</u>	<u>\$ (919,096)</u>	<u>\$ 3,444,317</u>
Business-type Activities:				
Compensated absences	\$ 5,881	\$ 3,467	\$ (3,257)	\$ 6,091
Landfill post-closure	2,703,833	40,558	-	2,744,391
	<u>\$ 2,709,714</u>	<u>\$ 44,025</u>	<u>\$ (3,257)</u>	<u>\$ 2,750,482</u>

Capital leases represent a four-year lease and a five-year lease for two pieces of major equipment for the Road Department, five vehicles with three-year leases for the Sheriff's department, seven fire trucks with a five-year lease for the volunteer fire departments, and one ambulance with a five-year lease for emergency medical services.

The Note payable is a 15-year installment sales agreement entered into in October 2007 for the funding of a new jail with SPLOST IV proceeds.

Engineering and post-closure costs associated with the closing of the Stephens County landfill are estimated to be approximately \$2,744,391 over a 30-year period and are recorded as a long-term liability of the Solid Waste Management Fund.

Additional information regarding the County's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets

- The millage rate has been increased from 11.32 to 13.66 with a declining digest of 17.26% since fiscal year 2010 with this being the only millage rate increase during this time.
- Elimination of property homestead credit grant from the state with no local recovery.
- Loss of revenue in sales taxes from the new GATE card exemptions, manufacturing utility exemptions and economic conditions.
- Top three General Fund revenue sources make up 82.64% of the total general fund operating revenues.
- No major new revenue sources.
- Total operating revenues are up 8.48% from millage rate increase.
- No growth in Solid Waste revenues.
- No growth in E911 fees.
- SPLOST VI will begin in FY 2015. Collections will span a six-year period.
- Employee salaries and benefits will continue to be an area of discussion for cost reductions causing an issue in employee retention.
- Increasing costs to vendors for operations.
- Continued litigation against Wilbros.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets (continued)

- Under a consent order from the Department of Revenue requiring additional expenditures in the Tax Assessor's office such as a new aerial flight.
- Increasing need by the Stephens County Development Authority as their fund balance has been depleting.
- Signed new five-year agreement for ambulance service with 1.9% increase.
- Considering a bond issue against SPLOST VI proceeds to forward fund projects.
- Cost requirements moving from the state level down to the local level.
- Three potential death penalty cases.
- Significant cost items facing the short term future fiscal years are landfill closure and debt payments on the new jail moving from SPLOST IV into the General Fund.
- Many cost saving initiatives are being reviewed and implemented such as combining positions and layoffs.
- Use of fund balance to balance the budget.

These items were taken into account when adopting the General Fund budget for 2015.

Most budgeted expenditures are expected to remain constant. The County departments will be expected to use a conservative approach to budgeting.

As for the County's business-type activities, we expect that the 2015 results will have significant changes in the operation as C&D closure will be complete at the County landfill.

Requests for Information

This financial report is designed to provide a general overview of Stephens County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Stephens County, P.O. Box 386, Toccoa, Georgia 30577.

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STEPHENS COUNTY, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2014

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 11,066,250	\$ 6,895	\$ 11,073,145
Investments	-	-	-
Taxes receivable	47,320	-	47,320
Accounts receivable, net of allowances	110,218	833	111,051
Interest receivable	-	-	-
Due from other governments	509,435	-	509,435
Internal balances	6,894	(6,894)	-
Prepaid items	45,751	-	45,751
Capital assets, non-depreciable	1,122,103	504,942	1,627,045
Capital assets, depreciable, net of accumulated depreciation	55,687,231	29,783	55,717,014
Total assets	68,595,202	535,559	69,130,761
LIABILITIES			
Accounts payable	389,605	26,220	415,825
Accrued liabilities	124,752	-	124,752
Due to other governments	242,449	-	242,449
Note payable due within one year	340,120	-	340,120
Note payable due in more than one year	2,494,219	-	2,494,219
Capital leases due within one year	433,808	-	433,808
Compensated absences due within one year	102,742	3,552	106,294
Compensated absences due in more than one year	73,428	2,539	75,967
Accrued closure/postclosure care costs due in more than one year	-	2,744,391	2,744,391
Total liabilities	4,201,123	2,776,702	6,977,825
NET POSITION			
Net investment in capital assets	53,653,890	534,725	54,188,615
Restricted for:			
Capital improvements	2,788,432	-	2,788,432
Judicial programs	386,041	-	386,041
Public safety	91,086	-	91,086
Other purposes	-	-	-
Unrestricted	7,474,630	(2,775,868)	4,698,762
Total net position	\$ 64,394,079	\$ (2,241,143)	\$ 62,152,936

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

Component Units			
Health Department		Library	
\$	544,361	\$	137,047
	-		371,766
	-		-
	39,061		-
	-		1,929
	-		-
	-		-
	-		3,035
	-		4,100
	-		401,836
	583,422		919,713
	5,773		1,330
	-		-
	-		-
	-		-
	-		-
	25,000		5,387
	14,097		-
	-		-
	44,870		6,717
	-		405,936
	-		-
	-		-
	-		-
	3,706		8,804
	534,846		498,256
\$	538,552	\$	912,996

STEPHENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,389,793	\$ 1,248,532	\$ 88,084	\$ -
Judicial	1,357,885	371,794	96,646	-
Public safety	5,364,435	817,899	29,032	24,361
Public works	3,700,848	-	-	347,122
Health and welfare	1,646,507	9,291	-	-
Recreation	782,394	83,919	-	-
Housing and development	332,790	-	-	-
Interest on long-term debt	139,037	-	-	-
Total governmental activities	<u>15,713,689</u>	<u>2,531,435</u>	<u>213,762</u>	<u>371,483</u>
Business-type activities:				
Solid waste management	643,397	14,965	-	17,825
Total business-type activities	<u>643,397</u>	<u>14,965</u>	<u>-</u>	<u>17,825</u>
Total primary government	<u>\$ 16,357,086</u>	<u>\$ 2,546,400</u>	<u>\$ 213,762</u>	<u>\$ 389,308</u>
Component unit:				
Health Department	\$ 598,942	\$ 232,266	\$ 428,781	\$ -
Library	311,293	17,859	-	-
Total component unit	<u>\$ 910,235</u>	<u>\$ 250,125</u>	<u>\$ 428,781</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

Net (Expense) Revenue and Changes in Net Position				
Governmental Activities	Business-type Activities	Total	Component Units	
			Health Department	Library
\$ (1,053,177)	\$ -	\$ (1,053,177)	\$ -	\$ -
(889,445)	-	(889,445)	-	-
(4,493,143)	-	(4,493,143)	-	-
(3,353,726)	-	(3,353,726)	-	-
(1,637,216)	-	(1,637,216)	-	-
(698,475)	-	(698,475)	-	-
(332,790)	-	(332,790)	-	-
(139,037)	-	(139,037)	-	-
<u>(12,597,009)</u>	<u>-</u>	<u>(12,597,009)</u>	<u>-</u>	<u>-</u>
-	(610,607)	(610,607)	-	-
-	(610,607)	(610,607)	-	-
<u>\$ (12,597,009)</u>	<u>\$ (610,607)</u>	<u>\$ (13,207,616)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 62,105	\$ -
-	-	-	-	(293,434)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,105</u>	<u>\$ (293,434)</u>
7,263,015	-	7,263,015	-	-
3,621,268	-	3,621,268	-	-
970,142	-	970,142	-	-
-	-	-	-	267,000
2,127	1	2,128	-	4,071
17,294	-	17,294	-	-
-	-	-	1,006	13,863
(575,335)	575,335	-	-	-
<u>11,298,511</u>	<u>575,336</u>	<u>11,873,847</u>	<u>1,006</u>	<u>284,934</u>
(1,298,498)	(35,271)	(1,333,769)	63,111	(8,500)
65,692,577	(2,205,872)	63,486,705	475,441	921,496
<u>\$ 64,394,079</u>	<u>\$ (2,241,143)</u>	<u>\$ 62,152,936</u>	<u>\$ 538,552</u>	<u>\$ 912,996</u>

STEPHENS COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2014

ASSETS	General	SPLOST	E911	Other Governmental Funds	Total
Cash and cash equivalents	\$ 5,972,472	\$ 3,174,580	\$ 1,430,820	\$ 488,378	\$ 11,066,250
Taxes receivable	38,666	-	-	8,654	47,320
Accounts receivable	38,134	-	72,084	-	110,218
Due from other governments	226,230	273,499	-	9,706	509,435
Due from other funds	1,833,810	-	-	396,941	2,230,751
Prepaid items	45,751	-	-	-	45,751
Total assets	<u>\$ 8,155,063</u>	<u>\$ 3,448,079</u>	<u>\$ 1,502,904</u>	<u>\$ 903,679</u>	<u>\$ 14,009,725</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 294,146	\$ 61,230	\$ 20,552	\$ 13,677	\$ 389,605
Accrued liabilities	124,752	-	-	-	124,752
Due to other funds	396,941	355,968	1,431,130	39,818	2,223,857
Due to other governments	-	242,449	-	-	242,449
Total liabilities	<u>815,839</u>	<u>659,647</u>	<u>1,451,682</u>	<u>53,495</u>	<u>2,980,663</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>30,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,843</u>
Total deferred inflows of resources	<u>30,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,843</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	45,751	-	-	-	45,751
Restricted for:					
Judicial programs	-	-	-	386,041	386,041
Public safety	-	-	51,222	39,864	91,086
Capital improvements	-	2,788,432	-	333,579	3,122,011
Assigned for:					
Landfill postclosure care costs	2,744,391	-	-	-	2,744,391
Jail commissary activities	-	-	-	5,968	5,968
Capital improvements	696,357	-	-	84,732	781,089
Subsequent year's budget	3,239,639	-	-	-	3,239,639
Unassigned	<u>582,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>582,243</u>
Total fund balances	<u>7,308,381</u>	<u>2,788,432</u>	<u>51,222</u>	<u>850,184</u>	<u>10,998,219</u>
Total liabilities deferred inflows of resources and fund balances	<u>\$ 8,155,063</u>	<u>\$ 3,448,079</u>	<u>\$ 1,502,904</u>	<u>\$ 903,679</u>	

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. 56,809,334

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 30,843

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (3,444,317)

Net position of governmental activities \$ 64,394,079

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	SPLOST	E911	Other Governmental Funds	Total
Revenues:					
Property taxes	\$ 7,245,138	\$ -	\$ -	\$ -	\$ 7,245,138
Sales taxes	1,981,152	1,640,116	-	-	3,621,268
Other taxes	936,882	-	-	33,260	970,142
Licenses and permits	54,708	-	-	-	54,708
Intergovernmental	269,115	-	-	365,012	634,127
Rents and royalties	33,221	-	-	-	33,221
Charges for services	493,232	-	458,272	140,714	1,092,218
Fines and forfeitures	371,794	-	-	73,719	445,513
Interest	582	13,543	1,331	214	15,670
Other revenues	778,185	-	312	64,853	843,350
Total revenues	<u>12,164,009</u>	<u>1,653,659</u>	<u>459,915</u>	<u>677,772</u>	<u>14,955,355</u>
Expenditures:					
Current:					
General government	2,215,375	-	-	1,858	2,217,233
Judicial	1,335,621	-	-	10,739	1,346,360
Public safety	4,338,835	-	-	480,759	4,819,594
Public works	789,867	47,933	683,260	335	1,521,395
Health and welfare	1,522,573	-	-	39,907	1,562,480
Culture and recreation	691,449	-	-	16,630	708,079
Housing and development	332,790	-	-	-	332,790
Capital outlay	-	1,023,534	9,009	186,017	1,218,560
Debt service:					
Principal	389,263	428,206	-	-	817,469
Interest	123,605	15,432	-	-	139,037
Total expenditures	<u>11,739,378</u>	<u>1,515,105</u>	<u>692,269</u>	<u>736,245</u>	<u>14,682,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>424,631</u>	<u>138,554</u>	<u>(232,354)</u>	<u>(58,473)</u>	<u>272,358</u>
Other financing sources (uses):					
Transfers in	16,630	-	232,354	-	248,984
Transfers out	(807,689)	-	-	(16,630)	(824,319)
Proceeds from the sale of capital assets	-	-	-	17,294	17,294
Total other financing sources (uses)	<u>(791,059)</u>	<u>-</u>	<u>232,354</u>	<u>664</u>	<u>(558,041)</u>
Net change in fund balances	(366,428)	138,554	-	(57,809)	(285,683)
Fund balance, beginning of year	<u>7,674,809</u>	<u>2,649,878</u>	<u>51,222</u>	<u>907,993</u>	<u>11,283,902</u>
Fund balance, end of year	<u>\$ 7,308,381</u>	<u>\$ 2,788,432</u>	<u>\$ 51,222</u>	<u>\$ 850,184</u>	<u>\$ 10,998,219</u>

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

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STEPHENS COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (285,683)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,862,411)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	17,877
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	817,469
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>14,250</u>
	<u><u>\$ (1,298,498)</u></u>

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

STEPHENS COUNTY, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 6,776,916	\$ 6,776,916	\$ 7,245,138	\$ 468,222
Sales taxes	2,048,786	2,048,786	1,981,152	(67,634)
Other taxes	935,002	935,002	936,882	1,880
Licenses and permits	51,173	51,173	54,708	3,535
Intergovernmental	232,299	232,299	269,115	36,816
Rents and royalties	33,592	33,592	33,221	(371)
Charges for services	510,501	510,501	493,232	(17,269)
Fines and forfeitures	377,909	377,909	371,794	(6,115)
Interest income	3,341	3,341	582	(2,759)
Other revenues	811,408	833,966	778,185	(55,781)
Total revenues	11,780,927	11,803,485	12,164,009	360,524
Expenditures:				
Current:				
General government:				
General administration	1,460,863	1,434,650	1,378,725	55,925
Registrar/elections	106,206	113,359	109,236	4,123
Tax commissioner	348,033	373,145	356,106	17,039
Tax assessor	374,365	396,478	371,308	25,170
Total general government	2,289,467	2,317,632	2,215,375	102,257
Judicial:				
Clerk of courts	378,942	387,700	380,582	7,118
Superior court	263,485	275,953	161,749	114,204
District attorney	151,275	151,318	145,012	6,306
Indigent defense	129,466	124,643	121,807	2,836
State court	109,171	103,559	101,867	1,692
Magistrate court	144,403	149,382	147,064	2,318
Probate court	163,089	163,501	157,398	6,103
Juvenile court	165,735	123,527	120,142	3,385
Total judicial	1,505,566	1,479,583	1,335,621	143,962
Public safety:				
Sheriff's office	2,037,794	2,035,864	1,980,566	55,298
Jail operations	1,752,536	1,780,529	1,737,622	42,907
Coroner	38,986	39,561	39,561	-
Emergency management	46,532	46,532	42,044	4,488
Probation office	104,682	126,213	121,442	4,771
Animal control	192,000	249,640	220,434	29,206
Rural fire protection	197,912	199,072	197,166	1,906
Total public safety	4,370,442	4,477,411	4,338,835	138,576
Public works:				
Public works department	513,240	609,002	609,002	-
	240,637	191,807	180,865	10,942
Total public works	753,877	800,809	789,867	10,942

(Continued)

STEPHENS COUNTY, GEORGIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Expenditures: (Continued)				
Current:				
Health and welfare:				
Public welfare	\$ 53,764	\$ 54,274	\$ 48,590	\$ 5,684
Health and human services	1,261,974	1,270,501	1,270,501	-
Senior citizens center	204,018	204,919	203,482	1,437
Total health and welfare	1,519,756	1,529,694	1,522,573	7,121
Culture and recreation:				
Parks and recreation	432,414	434,532	424,449	10,083
Library	267,000	267,000	267,000	-
Total culture and recreation	699,414	701,532	691,449	10,083
Housing and development:				
County agent's office	70,066	70,384	66,628	3,756
Planning and zoning	60,000	60,000	55,801	4,199
Economic development	51,500	58,500	58,500	-
Building inspection	64,859	69,955	67,551	2,404
Airport	10,000	39,495	39,495	-
Payments to other agencies	290,363	53,350	44,815	8,535
Total housing and development	546,788	351,684	332,790	18,894
Debt service:				
Principal	389,263	389,263	389,263	-
Interest	123,605	123,605	123,605	-
Total debt service	512,868	512,868	512,868	-
Total expenditures	12,198,178	12,171,213	11,739,378	431,835
Excess (deficiency) of revenues over (under) expenditures	(417,251)	(367,728)	424,631	792,359
Other financing sources (uses):				
Transfers in	13,276	13,276	16,630	3,354
Transfers out	(760,379)	(814,176)	(807,689)	6,487
Total other financing sources (uses)	(747,103)	(800,900)	(791,059)	9,841
Net change in fund balance	(1,164,354)	(1,168,628)	(366,428)	802,200
Fund balance, beginning of year	7,674,809	7,674,809	7,674,809	-
Fund balance, end of year	\$ 6,510,455	\$ 6,506,181	\$ 7,308,381	\$ 802,200

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

STEPHENS COUNTY, GEORGIA

E911 FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Charges for services	\$ 459,102	\$ 459,102	\$ 458,272	\$ (830)
Interest income	2,281	2,281	1,331	(950)
Other revenues	324	324	312	(12)
Total revenues	<u>461,707</u>	<u>461,707</u>	<u>459,915</u>	<u>(1,792)</u>
Expenditures:				
Current:				
Personal services	613,336	592,235	568,512	23,723
Supplies	5,050	4,142	2,865	1,277
Contractual services	99,616	112,616	111,883	733
Total expenditures	<u>718,002</u>	<u>718,002</u>	<u>692,269</u>	<u>25,733</u>
Deficiency of revenues under expenditures	<u>(256,295)</u>	<u>(256,295)</u>	<u>(232,354)</u>	<u>23,941</u>
Other financing sources:				
Transfers in	256,295	256,295	232,354	(23,941)
Total other financing sources	<u>256,295</u>	<u>256,295</u>	<u>232,354</u>	<u>(23,941)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>51,222</u>	<u>51,222</u>	<u>51,222</u>	<u>-</u>
Fund balance, end of year	<u>\$ 51,222</u>	<u>\$ 51,222</u>	<u>\$ 51,222</u>	<u>\$ -</u>

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2014

	Solid Waste Management Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,895
Accounts receivable	833
Total current assets	<u>7,728</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable assets	504,942
Depreciable assets	446,580
Less accumulated depreciation	<u>(416,797)</u>
Total capital assets net of accumulated depreciation	<u>534,725</u>
Total assets	<u>542,453</u>
LIABILITIES	
Current liabilities:	
Accounts payable	26,220
Due to other funds	6,894
Compensated absences - current	<u>3,552</u>
Total current liabilities	<u>36,666</u>
Long-term liabilities:	
Accrued closure/postclosure care costs	2,744,391
Compensated absences payable	<u>2,539</u>
Total long-term liabilities	<u>2,746,930</u>
Total liabilities	<u>2,783,596</u>
NET POSITION	
Investment in capital assets	534,725
Unrestricted (deficit)	<u>(2,775,868)</u>
Total net position	<u>\$ (2,241,143)</u>

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Solid Waste Management Fund
OPERATING REVENUES	
Charges for services:	
Landfill fees	\$ 14,965
Total operating revenues	<u>14,965</u>
OPERATING EXPENSES	
Salaries and benefits	181,061
Supplies and maintenance	54,281
Utilities	14,650
Office expense	1,611
Contractual services	364,027
Depreciation	1,138
Indirect costs	26,629
Total operating expenses	<u>643,397</u>
Operating loss	<u>(628,432)</u>
NONOPERATING REVENUE	
Interest income	1
Gain on sale of assets	17,825
Total nonoperating revenue	<u>17,826</u>
Loss before transfers	(610,606)
Transfer in	<u>575,335</u>
Change in net position	(35,271)
NET POSITION, beginning of year	<u>(2,205,872)</u>
NET POSITION, end of year	<u><u>\$ (2,241,143)</u></u>

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Solid Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 14,132
Payments to suppliers and service providers	(464,056)
Payments to employees	(180,851)
Net cash used in operating activities	(630,775)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	1
Net cash provided by investing activities	1
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	575,335
Proceeds from the sale of assets	17,825
Net cash provided by noncapital activities	593,160
Net decrease in cash and cash equivalents	(37,614)
Cash and cash equivalents:	
Beginning of year	44,509
End of year	\$ 6,895
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (628,432)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,138
Increase in accounts receivable	(833)
Decrease in accounts payable	(5,801)
Decrease in due to other funds	(37,615)
Increase in compensated absences	210
Increase in closure/post-closure payable	40,558
Net cash used in operating activities	\$ (630,775)

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

STEPHENS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2014

ASSETS	Agency Funds
Cash and cash equivalents	\$ 757,019
Taxes receivable	63,546
Accounts receivable	<u>514</u>
Total assets	<u><u>\$ 821,079</u></u>
 LIABILITIES	
Due to others	\$ 757,533
Uncollected taxes	<u>63,546</u>
Total liabilities	<u><u>\$ 821,079</u></u>

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

STEPHENS COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Stephens County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

Stephens County was created by legislative act on August 19, 1905, and operates under a County Commissioner form of government, providing the following services as authorized by its charter: public safety, highways and streets, health and social services, culture and recreation, court system, public improvements, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Stephens County, Georgia (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 relationship with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 61 "The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34", the financial statements of the component units are discretely presented in the government-wide financial statements.

Discretely Presented Component Units

The Stephens County Department of Public Health (the "Health Department") is governed by a seven-member board consisting of one member of the County's Board of Commissioners and two members as appointed by the County Commissioners. The County has the authority to modify and approve the Health Department's budget and the ability to approve environmental health service fees. The Health Department has a June 30th year-end and is presented as a governmental fund type component unit.

The Health Department's financial statements can be obtained by writing to the Stephens County Health Department, 222 North Boulevard, Toccoa, Georgia 30577.

The Toccoa-Stephens County Public Library (the "Library") is governed by a six-member board approved by the County Commissioners. The County has assumed the obligation to provide financial support to the Library. The Library has a June 30th year-end and is presented as a governmental fund type component unit.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Library's financial statements can be obtained by writing to the Toccoa-Stephens County Public Library, 53 W. Savannah Street, Toccoa, Georgia 30577.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* 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 instead as *general revenues*.

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

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 the fiduciary fund financial statements, except that agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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 **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures relating to the 2009 1% Special Purpose Local Option Sales Tax and the 2004 1% Special Purpose Local Option Sales Tax.

The **E-911 Fund** is used to account for the collection of 911 charges associated with wireless bills inside the County. This fund accounts for expenditures related to the operation of the communication center and the upgrade and maintenance of the wireless provider towers.

The County reports the following major proprietary fund:

The **Solid Waste Management Fund** is used to account for the receipts from services billed to customers and the payment of costs of collection.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Additionally, the County reports the following fund types:

The ***special revenue funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***capital projects fund*** accounts for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

The ***agency funds*** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem and property taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the County's solid waste function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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 *non-operating* 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 revenue of the enterprise fund is charges to customers for sales and services provided. Operating expenses for the enterprise fund includes 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets

Formal budgetary accounting is employed as a management control device for the General Fund and the special revenue funds. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and the following special revenue funds: the Law Library Fund, the Drug Task Force Fund, Jail Commissary Fund, the Jail Fund, the Drug Rehabilitation Fund, the Juvenile Supervision Fund, the Hotel/Motel Tax Fund, the Grant Fund, the E911 Fund, and the Water Lines Fund. The same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principle basis. Budgets for Capital Project Funds are adopted on a project basis, spanning more than one fiscal year. The County Commission must approve any amendments to the budget.

All annual appropriations lapse at the end of each fiscal year.

E. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets

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 initial, individual cost of \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of general infrastructure assets, the County chose to include all items regardless of their acquisition date. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred. Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings	50
Vehicles	5 - 10
Machinery and equipment	3 - 50
Infrastructure	40

I. 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 County does not have a policy to pay any amount when employees separate from service with the County. 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 or retirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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 are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are expensed in the year incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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.

K. Deferred Inflows / Outflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, has established accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

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

In addition to liabilities, the statement of net 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 fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and this amount is deferred and will be recognized as an inflow of resources in the period in which the amount becomes available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net 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 Board of Commissioners through the adoption of a resolution. Only the Board of 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 Board of Commissioners has authorized the Finance Director to assign fund balances.
- **Unassigned** – Fund balances are reported as unassigned as the residual amount 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 balance may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use 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: 1) committed, 2) assigned, and 3) unassigned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

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

M. Use of Estimates

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$3,444,317 difference are as follows:

Note payable	\$ (2,834,339)
Capital leases payable	(433,808)
Compensated absences	<u>(176,170)</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ (3,444,317)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,862,411 difference are as follows:

Capital outlay	\$ 763,906
Depreciation expense	<u>(2,626,317)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ (1,862,411)</u>

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” The details of this \$817,469 difference are as follows:

Principal repayments:	
Note payable	\$ 340,120
Capital leases	<u>477,349</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	<u>\$ 817,469</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the Department Heads submit to the County Administrator 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. The proposed budgets are then submitted to the Board of Commissioners by the County Administrator for study.
2. Public hearings are conducted at regular Commission meetings to obtain taxpayer comments. Public hearings are normally scheduled no later than 15 days prior to the beginning of the budget year.
3. Prior to July 1, the budget is legally adopted by the Board of Commissioners through the passage of a resolution.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be approved by the Board of Commissioners.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund and the Special Revenue Funds. Additionally, an annual budget is adopted for the SPLOST Fund and the Capital Projects Fund.
6. The budgets for the General Fund and the following Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are presented in accordance with finance-related legal and contractual provisions: the Law Library Fund, the Drug Task Force Fund, Jail Commissary Fund, the Jail Fund, the Drug Rehabilitation Fund, the Juvenile Supervision Fund, the Grant Fund, the E911 Fund, the Hotel/Motel Tax Fund, and the Water Lines Fund.

Budgeted amounts are as originally adopted on June 25, 2013, or as amended by the Board of Commissioners. The supplementary budgetary appropriations made were not material.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2014, the deposits of the County, the Health Department, and the Library were properly insured and collateralized as defined by GASB pronouncements and the official code of the State of Georgia.

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 increasing interest rates.

NOTE 5. RECEIVABLES

Receivables at June 30, 2014, for the County's individual major and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>E911 Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Solid Waste Management Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 38,666	\$ -	\$ -	\$ 8,654	\$ -	\$ 47,320
Other governments	226,230	273,499	-	9,706	-	509,435
Accounts	38,134	-	72,084	-	833	111,051
Net receivables	<u>\$ 303,030</u>	<u>\$ 273,499</u>	<u>\$ 72,084</u>	<u>\$ 18,360</u>	<u>\$ 833</u>	<u>\$ 667,806</u>

Property taxes were levied on September 15, 2013. Bills are payable on or before November 15, 2013, and after which the applicable property is subject to lien. The County bills and collects its own property taxes. Property taxes levied for 2014 are recorded as receivables. The receivables collected during the year ended June 30, 2014, and collected by August 31, 2014, are recognized as revenues in the year ended June 30, 2014.

Net receivables estimated to be collected subsequent to August 31, 2014 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes attached as an enforceable lien on property as of February 17, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,122,103	\$ -	\$ -	\$ -	\$ 1,122,103
Total capital assets, not being depreciated	<u>1,122,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,122,103</u>
Capital assets, being depreciated:					
Infrastructure	58,312,977	309,540	-	-	58,622,517
Buildings	28,821,214	48,614	(9,199)	-	28,860,629
Machinery and equipment	5,919,097	256,338	-	-	6,175,435
Vehicles	3,315,168	149,414	(6,500)	-	3,458,082
Total capital assets, being depreciated	<u>96,368,456</u>	<u>763,906</u>	<u>(15,699)</u>	<u>-</u>	<u>97,116,663</u>
Less accumulated depreciation for:					
Infrastructure	24,688,969	1,461,694	-	-	26,150,663
Buildings	8,025,922	545,346	(9,199)	-	8,562,069
Machinery and equipment	3,431,326	433,971	-	-	3,865,297
Vehicles	2,672,597	185,306	(6,500)	-	2,851,403
Total accumulated depreciation	<u>38,818,814</u>	<u>2,626,317</u>	<u>(15,699)</u>	<u>-</u>	<u>41,429,432</u>
Total capital assets, being depreciated, net	<u>57,549,642</u>	<u>(1,862,411)</u>	<u>-</u>	<u>-</u>	<u>55,687,231</u>
Governmental activities capital assets, net	<u>\$ 58,671,745</u>	<u>\$ (1,862,411)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,809,334</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 504,942	\$ -	\$ -	\$ 504,942
Total capital assets not being depreciated	504,942	-	-	504,942
Capital assets, being depreciated:				
Buildings	56,903	-	-	56,903
Machinery and equipment	516,782	-	-	516,782
Vehicles	31,980	-	-	31,980
Total capital assets, being depreciated	605,665	-	-	605,665
Less accumulated depreciation for:				
Buildings	25,980	1,138	-	27,118
Machinery and equipment	516,782	-	-	516,782
Vehicles	31,982	-	-	31,982
Total accumulated depreciation	574,744	1,138	-	575,882
Total capital assets being depreciated, net	30,921	(1,138)	-	29,783
Business-type activities capital assets, net	\$ 535,863	\$ (1,138)	\$ -	\$ 534,725

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

Governmental activities:	
General government	\$ 181,906
Judicial	11,525
Public safety	628,389
Public works	1,587,894
Health and welfare	85,348
Culture and recreation	131,255
Total depreciation expense - governmental activities	\$ 2,626,317
Business-type activities:	
Solid waste management	\$ 1,138

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Units

Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 19,412	\$ -	\$ (9,891)	\$ 9,521
Total capital assets, being depreciated	19,412	-	(9,891)	9,521
Less accumulated depreciation for:				
Machinery and equipment	19,412	-	(9,891)	9,521
Total accumulated depreciation	19,412	-	(9,891)	9,521
Total capital assets, net	\$ -	\$ -	\$ -	\$ -

Toccoa-Stephens County Public Library

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 4,100	\$ -	\$ -	\$ 4,100
Total capital assets not being depreciated	4,100	-	-	4,100
Capital assets, being depreciated:				
Buildings	786,166	-	-	786,166
Improvements	184,310	20	-	184,330
Furniture and equipment	141,153	8,062	(8,388)	140,827
Total capital assets, being depreciated	1,111,629	8,082	(8,388)	1,111,323
Less accumulated depreciation for:				
Buildings	506,145	20,158	-	526,303
Improvements	43,522	12,117	-	55,639
Furniture and equipment	133,187	2,746	(8,388)	127,545
Total accumulated depreciation	682,854	35,021	(8,388)	709,487
Total capital assets, net	\$ 428,775	\$ (26,939)	\$ -	\$ 401,836

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended June 30, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital leases	\$ 911,157	\$ -	\$ (477,349)	\$ 433,808	\$ 433,808
Note payable	3,174,459	-	(340,120)	2,834,339	340,120
Compensated absences	190,420	87,377	(101,627)	176,170	102,742
Governmental activities long-term liabilities	<u>\$ 4,276,036</u>	<u>\$ 87,377</u>	<u>\$ (919,096)</u>	<u>\$ 3,444,317</u>	<u>\$ 876,670</u>
Business-type Activities:					
Compensated absences	\$ 5,881	\$ 3,467	\$ (3,257)	\$ 6,091	\$ 3,552
Landfill closure/postclosure	2,703,833	40,558	-	2,744,391	-
Business-type activities long-term liabilities	<u>\$ 2,709,714</u>	<u>\$ 44,025</u>	<u>\$ (3,257)</u>	<u>\$ 2,750,482</u>	<u>\$ 3,552</u>

For governmental funds, compensated absences are liquidated by the General Fund and E-911 Fund. For business-type activities, compensated absences are liquidated by the Solid Waste Management Fund.

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present value of the future minimum lease payments as of the inception dates. Interest rates range from 2.12% to 4.4%.

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2014 is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 2,386,842
Less accumulated depreciation	<u>(953,139)</u>
	<u>\$ 1,433,703</u>

The County recorded \$238,386 of depreciation expense for assets under capital lease as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

The County's total capital lease debt service requirements to maturity are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2015	\$ 439,626
Total minimum lease payments	439,626
Less amount representing interest	5,818
Present value of future minimum lease payments	<u>\$ 433,808</u>

Note Payable. The County entered into an installment sales agreement in October 2007 for the purpose of providing funding for a new jail facility. The total amount of funding provided was \$7,100,000. Payments are due monthly beginning November 2007 through October 2022 with interest at 3.93%.

Debt service requirements to maturity at June 30, 2014 for this note payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 340,120	\$ 106,736	\$ 446,856
2016	340,120	93,431	433,551
2017	340,120	79,631	419,751
2018	340,120	66,079	406,199
2019	340,120	52,526	392,646
2020-2023	1,133,739	77,306	1,211,045
Total	<u>\$ 2,834,339</u>	<u>\$ 475,709</u>	<u>\$ 3,310,048</u>

Landfill postclosure costs. State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County began the process of closing the landfill site during 2013. The total estimated liability for closure and postclosure care is \$2,744,391 at June 30, 2014. These costs are based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Should any problems occur during this period, the costs and time period required for maintenance and monitoring functions may increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014, is as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 39,818
General Fund	E911 Fund	1,431,130
General Fund	SPLOST Fund	355,968
General Fund	Solid Waste Management Fund	6,894
Nonmajor Governmental Funds	General Fund	396,941
		<u>\$ 2,230,751</u>

These balances resulted 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.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 16,630
Solid Waste Management Fund	General Fund	575,335
E911 Fund	General Fund	232,354
		<u>\$ 824,319</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED CONTRIBUTION PENSION PLAN

The County participates in the Stephens County Pension Plan and Trust (the "Plan"), a defined contribution plan, administered primarily by the Minnesota Mutual Insurance Company. The Plan provides retirement benefits to plan participants and beneficiaries. Employee vesting in the County's contributions to the plan is based on a five-year graded vesting schedule. The County contributes an amount equal to 1.5% of the plan year covered compensation of all qualifying participants which totaled 109 for the year ending June 30, 2014. For the fiscal year ending June 30, 2014, the County's contribution to the Plan was \$55,774. Employee voluntary contributions are not allowed under provisions of the plan.

	<u>Amount</u>	<u>Percent of covered payroll</u>
Contribution requirement by County	\$55,774	1.5%
Contributions made by County	\$55,774	1.5%
Total covered payroll	\$3,718,237	

The Plan, as established, does not recognize prior service cost as it is based exclusively on current compensation of all participants. To participate, the employee must have a year of service and not have waived participation in the County's Plan in order to participate in another plan. The plan was established by resolution of the Board of Commissioners and may be amended in the same manner.

The County has established two deferred compensation plans under Internal Revenue Code Section 457(g) which cover substantially all eligible employees. The County's fiduciary responsibilities are limited to acting as sponsor of the Plan and as an agent for its participants with respect to contributions and disbursements of benefits. The County has appointed an outside administrator for the plan. The County does not meet the criteria in GASB 32 to report the Section 457 Plan; therefore, the Section 457 Plan is not reported in these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN - COMPONENT UNIT

Health Department

All employees of the Health Department participate in the Georgia State Employees Retirement System (ERS), a statewide multi-employer public employee retirement system covering employees of local boards of health and various agencies and departments of the State of Georgia. The ERS is funded through employer and employee contributions and the Health Department has no legal obligation for paying benefits. The Plan is administered by the State of Georgia, and accumulated benefits and Plan assets are not determined or allocated to the individual participating governmental entities.

Employees are divided into two separate plans depending on their date of hire. Employees hired before January 1, 2009 are covered by the plan which requires an employer contribution of 14.9% of employees' gross earnings. Employees hired after January 1, 2009 are covered by a plan which can include a 401(k) contribution. The employer pays 11.54% of employee earnings. In addition, the employer has a matching requirement up to 3% of pay based on the employee's 401(k) contribution.

All full-time eligible employees who are hired for Merit System classified positions are eligible to participate in ERS. Participants have a partial vested right to retirement benefits after 10 years of service and become fully vested after 34 years.

During the year, the Health Department contributed \$42,854. Contributions by employees are withheld by the Health Department. Such withholdings totaled \$3,522 during the year and were paid by the Health Department. The Health Department has no other liability under the plan. The Health Department's total payroll for all employees during the year was \$245,310, of which the entire amount related to employees is covered by the retirement plan.

Ten-year historical trend information and relevant actuarial information may be obtained from the Employee's Retirement System of Georgia, which issues a publicly available financial report that includes financial statements and required supplementary information for ERS. That report may be obtained by writing to the Employees' Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778 or calling 1-404-352-6400.

Library

All "classified" personnel employed by regional and county libraries are covered by the Teachers Retirement System of Georgia ("TRS"), which is a cost-sharing multiple employer public employee retirement system (PERS). A "classified" staff person is one that works full-time or at least 20 hours a week (part-time). A Board of Trustees comprised of active and retired members and ex-officio state employees is ultimately responsible for the administration of TRS.

Complete financial statements for the TRS can be obtained at Two Northside 75, Suite 400, Atlanta, Georgia 30381.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT PLAN - COMPONENT UNIT (CONTINUED)

Library (Continued)

TRS provides service retirement, disability retirement and survivor's benefits. The benefit structure of TRS is defined and may be amended by state statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service and must be less than age 60, at a reduced benefit.

Normal retirement benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the consumer price index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death. Death, disability and spousal benefits are also available.

TRS is funded by member and employer contributions as adopted by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions are refunded with interest. Member contributions are limited by state law to not less than 5% or more than 6% of a member's earnable compensation.

Employees of the Library who are covered by TRS can contribute up to 6% of their gross earnings to TRS. Employee contributions at June 30, 2014 were \$8,203. The Library makes monthly employer contributions to TRS at rates adopted by the TRS Board of Trustees in accordance with state statute and as advised by their independent actuary. At June 30, 2014, the Library employer contribution rate was 12.28%. Contribution amounts for the Library at June 30, 2014 were \$16,789.

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which, except as described in the following paragraph, the County carries commercial insurance in amounts deemed prudent by County management.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. RISK MANAGEMENT (CONTINUED)

The County participates in the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the 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 funds 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 made against the County within the scope of loss protection furnished by the funds.

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

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The County is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County.

The County has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC) and is required to pay annual dues thereto. During the year ended June 30, 2014, the County paid \$19,293 in such dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional commissions in Georgia.

The RC 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:

Georgia Mountains Regional Commission
1310 West Ridge Road
Gainesville, GA 30501

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Jail Fund is used to account for the expenditures made towards maintenance and operations of the County jail.

Water Lines Fund is used to account for the SPLOST II funds which remain unspent and the interest which they earn. The expenditures for this account are specifically related to work being done on the water lines throughout the County.

Juvenile Supervision Fund is used to account for the collection of certain penalties associated with foster children and for the expenditures related to care and assistance for those children.

Drug Rehabilitation Fund is used to account for collection of additional penalties for certain drug related crimes and for expenditures of those funds for drug abuse treatment and education programs.

Drug Task Force Fund accounts for the match portion of the membership to the local federal agencies.

Jail Commissary Fund is used to account for proceeds from jail inmate commissary sales.

Hotel/Motel Tax Fund is used to account for the collection of hotel and motel taxes within the County and for the expenditures made distributing the collections to the appropriate entities.

Law Library Fund is used to account for revenues generated through special filing charges in the County court system which are used to acquire and maintain library materials.

Grant Fund is used to account for the collection and expenditures of various federal and state grants received by the County.

Capital Projects Fund

Capital Projects Fund is used to account for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

STEPHENS COUNTY, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2014

ASSETS	Special Revenue Funds				
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund
Cash and cash equivalents	\$ 55,548	\$ 48,067	\$ 280	\$ 268,738	\$ 1,873
Taxes receivable	-	-	-	-	-
Due from other governments	1,667	-	-	2,339	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 57,215</u>	<u>\$ 48,067</u>	<u>\$ 280</u>	<u>\$ 271,077</u>	<u>\$ 1,873</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 7,336	\$ -	\$ -	\$ 1,212	\$ -
Due to other funds	<u>11,888</u>	<u>-</u>	<u>-</u>	<u>24,035</u>	<u>-</u>
Total liabilities	<u>19,224</u>	<u>-</u>	<u>-</u>	<u>25,247</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Judicial programs	-	-	280	245,830	-
Public safety	37,991	-	-	-	1,873
Capital projects	-	-	-	-	-
Assigned for:					
Jail commissary activity	-	-	-	-	-
Capital improvements	-	48,067	-	-	-
Total fund balances	<u>37,991</u>	<u>48,067</u>	<u>280</u>	<u>245,830</u>	<u>1,873</u>
Total liabilities and fund balances	<u>\$ 57,215</u>	<u>\$ 48,067</u>	<u>\$ 280</u>	<u>\$ 271,077</u>	<u>\$ 1,873</u>

Jail Commissary Fund	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 5,968	\$ -	\$ 71,239	\$ -	\$ 36,665	\$ 488,378
-	8,654	-	-	-	8,654
-	-	-	5,700	-	9,706
-	-	-	396,941	-	396,941
<u>\$ 5,968</u>	<u>\$ 8,654</u>	<u>\$ 71,239</u>	<u>\$ 402,641</u>	<u>\$ 36,665</u>	<u>\$ 903,679</u>
\$ -	\$ 4,759	\$ 370	\$ -	\$ -	\$ 13,677
-	3,895	-	-	-	39,818
-	8,654	370	-	-	53,495
-	-	70,869	69,062	-	386,041
-	-	-	-	-	39,864
-	-	-	333,579	-	333,579
5,968	-	-	-	-	5,968
-	-	-	-	36,665	84,732
<u>5,968</u>	<u>-</u>	<u>70,869</u>	<u>402,641</u>	<u>36,665</u>	<u>850,184</u>
<u>\$ 5,968</u>	<u>\$ 8,654</u>	<u>\$ 71,239</u>	<u>\$ 402,641</u>	<u>\$ 36,665</u>	<u>\$ 903,679</u>

STEPHENS COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	5,872	-
Charges for services	39,751	-	-	-	-
Fines and forfeitures	12,125	-	225	45,145	220
Interest income	4	33	-	23	-
Other revenues	-	-	-	-	-
Total revenues	<u>51,880</u>	<u>33</u>	<u>225</u>	<u>51,040</u>	<u>220</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	52,388	-	-	-	1,462
Public works	-	335	-	-	-
Health and welfare	-	-	-	30,709	-
Culture and recreation	-	-	-	-	-
Capital outlay	5,938	64,876	-	-	-
Total expenditures	<u>58,326</u>	<u>65,211</u>	<u>-</u>	<u>30,709</u>	<u>1,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,446)</u>	<u>(65,178)</u>	<u>225</u>	<u>20,331</u>	<u>(1,242)</u>
Other financing sources (uses):					
Transfers out	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(6,446)	(65,178)	225	20,331	(1,242)
Fund balances, beginning of year	<u>44,437</u>	<u>113,245</u>	<u>55</u>	<u>225,499</u>	<u>3,115</u>
Fund balances, end of year	<u>\$ 37,991</u>	<u>\$ 48,067</u>	<u>\$ 280</u>	<u>\$ 245,830</u>	<u>\$ 1,873</u>

Jail Commissary Fund	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 33,260	\$ -	\$ -	\$ -	\$ 33,260
-	-	-	359,140	-	365,012
100,963	-	-	-	-	140,714
-	-	16,004	-	-	73,719
-	-	7	-	147	214
-	-	-	64,853	-	64,853
<u>100,963</u>	<u>33,260</u>	<u>16,011</u>	<u>423,993</u>	<u>147</u>	<u>677,772</u>
-	-	-	-	1,858	1,858
-	-	10,739	-	-	10,739
101,557	-	-	325,352	-	480,759
-	-	-	-	-	335
-	-	-	9,198	-	39,907
-	16,630	-	-	-	16,630
-	-	-	-	115,203	186,017
<u>101,557</u>	<u>16,630</u>	<u>10,739</u>	<u>334,550</u>	<u>117,061</u>	<u>736,245</u>
<u>(594)</u>	<u>16,630</u>	<u>5,272</u>	<u>89,443</u>	<u>(116,914)</u>	<u>(58,473)</u>
-	(16,630)	-	-	-	(16,630)
-	-	-	-	17,294	17,294
-	(16,630)	-	-	17,294	664
(594)	-	5,272	89,443	(99,620)	(57,809)
<u>6,562</u>	<u>-</u>	<u>65,597</u>	<u>313,198</u>	<u>136,285</u>	<u>907,993</u>
<u>\$ 5,968</u>	<u>\$ -</u>	<u>\$ 70,869</u>	<u>\$ 402,641</u>	<u>\$ 36,665</u>	<u>\$ 850,184</u>

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2009 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Sewer projects	\$ 1,000,000	\$ 1,000,000	\$ 16,712	\$ 47,933	\$ 64,645
Hayestone-Brady Park Project	7,000,000	7,000,000	-	-	-
County fire projects	3,500,000	3,500,000	2,470,808	17,731	2,488,539
Purchase of sheriff vehicles	420,000	420,000	279,492	27,850	307,342
Road improvements	2,260,000	2,260,000	543,245	755,988	1,299,233
Airport terminal project	1,200,000	1,200,000	695,468	186,125	881,593
Farmer market project	100,000	100,000	102,600	-	102,600
Recreation project	700,000	700,000	275,422	25,634	301,056
Fueling station	200,000	200,000	192,396	10,206	202,602
	<u>\$ 16,380,000</u>	<u>\$ 16,380,000</u>	<u>\$ 4,576,143</u>	<u>\$ 1,071,467</u>	<u>\$ 5,647,610</u>
Debt service payments on equipment already included as an expenditure above				<u>443,638</u>	
				<u>\$ 1,515,105</u>	

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2004 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		<u>Total</u>
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	
Acquisition, construction and equipping of new County jail	\$ 7,221,788	\$ 7,221,788	\$ 6,991,250	\$ -	\$ 6,991,250
Renovation and equipping of historic courthouse	2,104,834	2,104,834	2,364,783	-	2,364,783
Acquisition, construction and equipping of enhanced 911 facility	1,896,870	1,896,870	1,896,870	-	1,896,870
Purchase of EMS vehicles	530,000	530,000	530,403	-	530,403
Road and bridge improvements	561,508	561,508	579,199	-	579,199
City of Toccoa (20.548%)	<u>3,185,000</u>	<u>3,185,000</u>	<u>1,427,616</u>	<u>-</u>	<u>1,427,616</u>
	<u>\$ 15,500,000</u>	<u>\$ 15,500,000</u>	<u>\$ 13,790,121</u>	<u>\$ -</u>	<u>\$ 13,790,121</u>

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AGENCY FUNDS

Tax Commissioner – This fund is used to account for all real, personal and intangible taxes collected and forwarded to the County and other government units.

Sheriff – This fund is used to account for collection of fees, proceeds from judicial sales, and cash bonds, which are disbursed to other agencies, the County, and individuals.

Probation Office – This fund is used to account for collection of probation fees, fines and restitution, which are disbursed to other agencies, the County, and individuals.

Jail Inmate – This fund is used to account for jail inmate funds while in custody and for purchases from the jail commissary by inmates.

The following agency funds are used to account for fines, fees and other moneys collected by the courts and remitted to other parties in accordance with court orders and state law:

Clerk of Courts
Probate Court
Magistrate Court

STEPHENS COUNTY, GEORGIA

COMBINING BALANCE SHEET AGENCY FUNDS JUNE 30, 2014

<u>ASSETS</u>	Tax Commissioner	Clerk of Courts	Probate Court	Magistrate Court
Cash and cash equivalents	\$ 420,515	\$ 201,201	\$ 1,437	\$ 59,328
Taxes receivable	63,546	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 484,061</u>	<u>\$ 201,201</u>	<u>\$ 1,437</u>	<u>\$ 59,328</u>
<u>LIABILITIES</u>				
Due to others	\$ 420,515	\$ 201,201	\$ 1,437	\$ 59,328
Uncollected taxes	63,546	-	-	-
Total liabilities	<u>\$ 484,061</u>	<u>\$ 201,201</u>	<u>\$ 1,437</u>	<u>\$ 59,328</u>

Sheriff	Jail Inmate	Probation Office	Total
\$ -	\$ 28,994	\$ 45,544	\$ 757,019
-	-	-	63,546
-	514	-	514
<u>\$ -</u>	<u>\$ 29,508</u>	<u>\$ 45,544</u>	<u>\$ 821,079</u>
\$ -	\$ 29,508	\$ 45,544	\$ 757,533
-	-	-	63,546
<u>\$ -</u>	<u>\$ 29,508</u>	<u>\$ 45,544</u>	<u>\$ 821,079</u>

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COMPLIANCE SECTION

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

**Board of Commissioners
of Stephens County, Georgia
Toccoa, Georgia**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Stephens County, Georgia as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Stephens County, Georgia's basic financial statements, and have issued our report thereon dated December 1, 2014. Our report includes a reference to other auditors who audited the financial statements of the Stephens County Department of Public Health, as described in our report on Stephens County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stephens 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-1 that we consider to be a significant deficiency.

Compliance and Other Matters

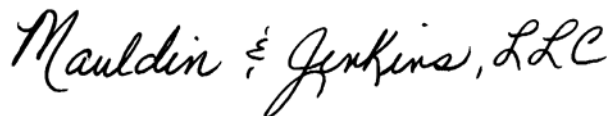
As part of obtaining reasonable assurance about whether Stephens County, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct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

Stephens County, Georgia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Macon, Georgia
December 1, 2014

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
Material weaknesses identified? ☐ yes ☒ no

Significant deficiencies identified not considered
to be material weaknesses? ☒ yes ☐ no

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2014 due to the total amount expended being less than \$500,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-1. Segregation of Duties (Repeat finding)

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

Condition: Appropriate segregation of duties does not exist among recording, distribution, reconciliation of cash accounts and other operational functions in various areas of County operations, including the offices of elected officials (Tax Commissioner, Probate Court, Magistrate Court and the Probation Office), the Landfill, the Law Library and the County's Finance Department.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effect: Failure to properly segregate duties among recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected during the normal course of business.

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2014-1. Segregation of Duties (Repeat finding)

Cause: The failure to properly segregate duties is due to the limited number of individuals available in each office to perform each of the duties.

Recommendation: The duties of recording, distribution, approving, writing and signing of checks, and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials: We concur. The offices listed above are in the process of reviewing their respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties among recording, distribution, and reconciliation of accounts to provide reasonable assurance that an individual cannot misappropriate funds without being detected during the normal course of business.

STEPHENS COUNTY, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

STATUS OF PRIOR YEAR AUDIT FINDINGS

13-1. Segregation of Duties

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

Condition: For the fiscal year ended June 30, 2013, there were not appropriate segregation of duties among recording, distribution, reconciliation of cash accounts and other operational functions in the offices of the elected officials and the various funds possessed by the County.

Auditee Response/Status: Unresolved. See current year finding 2014-1.

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