

STEPHENS COUNTY, GEORGIA

FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

STEPHENS COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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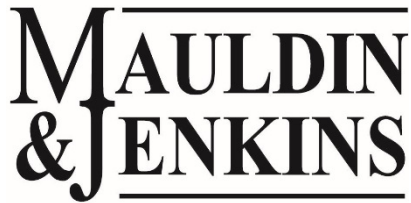
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FINANCIAL SECTION



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, 2018, 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, Stephens County Development Authority, or Stephens County Hospital Authority, which statements reflect total assets and deferred outflows of resources of \$911,959, \$4,518,972, and \$41,130,711, respectively, as of June 30, 2018, and total revenues of \$821,466, \$273,085 and \$42,714,514, respectively, for the year ended June 30, 2018. 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, the Stephens County Development Authority and the Stephens County Hospital Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, for the year then ended in 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.

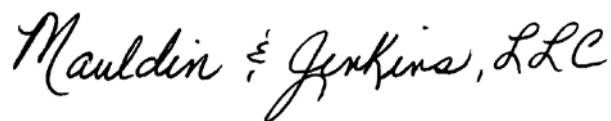
Other Information

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 schedules 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 schedules 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 schedules 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 April 24, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The script is cursive and fluid, with the company name written in a professional yet personal style.

Macon, Georgia
April 24, 2019

STEPHENS COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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, 2018.

Financial Highlights

- The assets of Stephens County exceeded its liabilities at June 30, 2018, by approximately \$60.08 million (net position). Of this amount, \$9.20 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At fiscal year-end June 30, 2018, the County's General Fund reported a total fund balance of \$11,381,655.

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, Toccoa-Stephens County Public Library, Stephens County Development Authority, and Stephens County Hospital. 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** (2009 SPLOST, 2014 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 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 Fund within the basic financial statements.

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-type activities are reported with detail including cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$60,079,661 at the close of the most recent fiscal year.

A large portion of the County's net position, 74.68%, 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 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Percentage Change
	2017	2018	2017	2018	2017	2018	2017 -2018
Current and other assets	\$ 19.03	\$ 19.46	\$ -	\$ -	\$ 19.03	\$ 19.46	2.26 %
Capital assets	53.75	51.55	0.55	0.54	54.30	52.09	(4.07)
Total assets	72.78	71.01	0.55	0.54	73.33	71.55	(2.43)
Long-term liabilities outstanding	7.31	5.00	0.02	0.03	7.33	5.03	(31.38)
Other liabilities	3.28	3.55	2.85	2.90	6.13	6.45	5.22
Total liabilities	10.59	8.55	2.87	2.93	13.46	11.48	(14.71)
Net position:							
Net investment in capital assets	44.49	44.32	0.55	0.54	45.04	44.86	(0.40)
Restricted for							
Capital Projects/E911	6.88	6.01	-	-	6.88	6.01	(12.65)
Unrestricted	10.82	12.13	(2.87)	(2.93)	7.95	9.20	15.72
Total net position	\$ 62.19	\$ 62.46	\$ (2.32)	\$ (2.39)	\$ 59.87	\$ 60.07	0.33

Unrestricted net position of \$9.20 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 a positive balance of net position for the government as a whole.

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

	Governmental Activities		Business-type Activities		Total Activities		Percentage Change
	2017	2018	2017	2018	2017	2018	2017-2018
Revenues							
Program revenues:							
Charges for services	\$ 2.74	\$ 3.49	\$ -	\$ -	\$ 2.74	\$ 3.49	27.37 %
Operating grants and contributions	0.27	0.29	-	-	0.27	0.29	7.41
Capital grants and contributions	0.61	0.91	-	-	0.61	0.91	49.18
General revenues:							
Property taxes	8.52	9.39	-	-	8.52	9.39	10.21
Other taxes	6.39	6.54	-	-	6.39	6.54	2.35
Investment income	-	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	-
Total revenues	18.53	20.62	-	-	18.53	20.62	11.25
Expenses							
General government	3.69	5.20	-	-	3.69	5.20	40.92
Judicial	1.53	1.62	-	-	1.53	1.62	5.88
Public safety	6.18	6.80	-	-	6.18	6.80	10.03
Public works	5.98	3.49	-	-	5.98	3.49	(41.64)
Health and welfare	1.61	1.63	-	-	1.61	1.63	1.24
Recreation	0.84	0.76	-	-	0.84	0.76	(9.52)
Housing and development	0.36	0.32	-	-	0.36	0.32	(11)
Interest on long-term debt	0.22	0.17	-	-	0.22	0.17	(22.73)
Solid waste	-	-	0.36	0.43	0.36	0.43	19
Total expenses	20.41	19.99	0.36	0.43	20.77	20.42	(1.70)
Transfers	(0.32)	(0.36)	0.32	0.36	-	-	
Change in net position	(2.20)	0.27	(0.04)	(0.07)	(2.24)	0.20	108.84
Net position, beginning of year	64.39	62.19	(2.28)	(2.32)	62.11	59.87	(3.61)
Net position, end of year	\$ 62.19	\$ 62.46	\$ (2.32)	\$ (2.39)	\$ 59.87	\$ 60.07	0.33

The changes in net position between fiscal years 2017 and 2018 were affected by the following:

- Net change in total revenues is an increase of 11.25%.
- State Court fines increased by \$78,280 due a change in the administration of the court.
- School Resource Officer reimbursements increased \$68,214 due to addition of officers.
- Paving of City of Toccoa streets increased \$664,625.
- GEMA reimbursements for Hurricane IRMA were received at \$217,490.
- GEMA reimbursement for Public Works department generator were received at \$45,628.
- Millage rate was increase 1.5 mills with the value of a mill worth \$583,990.
- Net change in total expenses is a decrease of 1.70%.
- Operational transfers to Emergency Communication increased \$137,032 from increase in scale of current pay scale and Next Generation CAD system.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Operational transfers to Solid Waste increased \$37,880 from an alternate source demonstration required for EPD.
- Decrease in Public Works spending from less open grants.
- Decrease in interest on long-term debt from debt structures.

Business-type activities

- The Stephens County Solid Waste Management Fund has continued to produce an operating loss. During the current year a loss of \$421,696 before interest and transfers from the General Fund were reported. The operating loss increased from last year due to an alternate source demonstration required from EPD.
- A transfer of funds was made from the General Fund back to the Solid Waste Fund in the amount of \$358,107 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 \$193,789 for prepaid items and \$771,829 for advances to other funds, assigned fund balance of the General Fund was \$2,901,286 for landfill post-closure care costs, \$1,492,753 for capital improvements, \$3,671,333 for FY 2018 budget and unassigned was \$2,350,665, while the total fund balance was \$11,381,655.

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 7.27% of total general fund expenditures, assigned fund balance represents 21.84%, unassigned fund balance represents 17.70%, while total fund balance represents 85.69% of that same amount.

SPLOST 2009 and 2014 Funds

SPLOST (Special purpose local option sales tax) Referendum passed on November 6, 2007 and November 5, 2013, respectively. Proceeds of \$16,380,000 (2009) and \$21,274,423 (2014) will fund multiple capital projects started in 2008 and 2015, respectively. At the end of the current fiscal year, combined SPLOST expenditures were \$5.02 million and revenues were \$3.96 million, leaving a fund balance of \$5.33 million. Sales tax revenues were for SPLOST 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Fund

At the end of the current fiscal year, unrestricted net position for the Solid Waste Management fund was \$(2,933,882) 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, 2018, amounts to \$51,548,616 (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
	2017	2018	2017-2018
Land	\$ 1,131,406	\$ 1,158,975	2.44 %
Buildings and improvements	18,804,561	18,391,979	(2.19)
Machinery and equipment	4,764,619	4,442,148	(6.77)
Infrastructure	29,045,868	27,555,514	(5.13)
Total	<u>\$ 53,746,454</u>	<u>\$ 51,548,616</u>	(4.09)

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, 2018, is summarized below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
General obligation bonds	\$ 5,635,000	\$ -	\$ (1,195,000)	\$ 4,440,000
Capital leases	1,126,796	-	(217,391)	909,405
Note payable	2,495,019	-	(617,727)	1,877,292
Compensated absences	209,868	39,058	(107,263)	141,663
Total	<u>\$ 9,466,683</u>	<u>\$ 39,058</u>	<u>\$ (2,137,381)</u>	<u>\$ 7,368,360</u>
Business-type Activities:				
Landfill post-closure	\$ 2,849,987	\$ 51,299	\$ -	\$ 2,901,286
	<u>\$ 2,849,987</u>	<u>\$ 51,299</u>	<u>\$ -</u>	<u>\$ 2,901,286</u>

General obligation bonds were issued to forward fund SPLOST VI road projects. Capital leases represent leases for seven pieces of road equipment and three dump trucks for public works.

Notes payable includes a 15-year installment sales agreement entered into in October 2007 for the funding of a new jail with SPLOST IV proceeds. The note payable moved to the General Fund in fiscal year 2013. Additionally, notes payable includes a five-year note for equipment at the E911 center.

Engineering and post-closure costs associated with the closing of the Stephens County landfill are estimated to be approximately \$2,901,286 over a 30-year period and are recorded as a long-term liability of the Solid Waste Management Fund. All action items requested for closure have been completed and certificate of final closure is under EPD review.

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 will remain unchanged at 14.91 with no significant change in the value of a mill.
- Title Ad Valorem Tax making a significant difference with the inability to forecast.
- Sales tax showing no significant growth opportunities.
- Top three General Fund revenue sources make up 84.75% of the total general fund operating revenues at 14.91 mills.
- Loss of probation fees of \$110,781 from City of Toccoa terminating their portion of the intergovernmental agreement.
- Increase in school resource officer reimbursement of \$47,297 from adding a new officer.
- No major new net revenue sources.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Transfer from General Fund to Emergency Communication will increase due to increase in staffing and technology.
- SPLOST VI collections to remain stable.
- Pay increase of 3% for full-time and part-time employees to retain and attract employees.
- Absorb 100% of health care cost increase to retain and attract employees at a minimal cost of .15% increase.
- Increase in the need for technology upgrades.
- Increase in Building & Grounds with a new position to offset outside costs.
- Mountain Judicial Juvenile Clerk integrated into local Clerk of Court's office with a net savings.
- Increase in Sheriff's office from 2 new security deputies and 1 new school resource officer.
- Decrease in Probation office staff to offset changes with the City of Toccoa agreement.
- Increase in Rural Fire Protection due to aging equipment.
- Increase in Airport Authority to fund 50% of a matching grant with the City of Toccoa.
- Increase in Recreation from a new position.
- Increase in Library, Development Authority, and Humane Shelter to bring funding level back to the prior year level.

These items were taken into account when adopting the General Fund budget for 2019.

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 2019 results will be for closure maintenance and convenient site operations as C&D closure is complete at the County landfill and we are awaiting final certificate.

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.

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2018

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 17,548,749	\$ 10,861	\$ 17,559,610
Restricted cash and investments	-	-	-
Investments	-	-	-
Taxes receivable	24,346	-	24,346
Accounts receivable, net of allowances	339,941	-	339,941
Interest receivable	-	-	-
Inventories	-	-	-
Due from other governments	1,314,471	-	1,314,471
Internal balances	10,861	(10,861)	-
Prepaid items	226,067	-	226,067
Land held for resale	-	-	-
Capital assets, non-depreciable	1,158,975	504,942	1,663,917
Capital assets, depreciable, net of accumulated depreciation	50,389,641	38,835	50,428,476
Total assets	<u>71,013,051</u>	<u>543,777</u>	<u>71,556,828</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	773,526	32,596	806,122
Accrued liabilities	232,137	-	232,137
Due to other governments	169,262	-	169,262
Note payable due within one year	623,644	-	623,644
Note payable due in more than one year	1,253,648	-	1,253,648
Capital leases due within one year	222,060	-	222,060
Capital leases due in more than one year	687,345	-	687,345
General obligation bonds due within one year	1,435,000	-	1,435,000
General obligation bonds due in more than one year	3,005,000	-	3,005,000
Compensated absences due within one year	86,810	-	86,810
Compensated absences due in more than one year	54,853	-	54,853
Net pension liability	-	-	-
Net OPEB liability	-	-	-
Accrued closure/post-closure care costs			
due in more than one year	-	2,901,286	2,901,286
Total liabilities	<u>8,543,285</u>	<u>2,933,882</u>	<u>11,477,167</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>

Component Units			
Health Department	Library	Development Authority	Hospital Authority
\$ 733,346	\$ 212,127	\$ 1,108,816	\$ 2,483,036
-	-	-	6,942,729
-	339,289	-	-
-	-	-	-
53,967	-	-	10,732,171
-	2,881	-	-
-	-	-	1,687,881
-	-	-	-
-	-	-	-
-	3,883	5,849	249,690
-	-	3,038,942	-
-	4,100	59,178	336,029
-	291,428	306,187	18,699,175
<u>787,313</u>	<u>853,708</u>	<u>4,518,972</u>	<u>41,130,711</u>
124,646	19,612	-	-
<u>124,646</u>	<u>19,612</u>	<u>-</u>	<u>-</u>
3,508	2,623	7,632	4,105,730
-	4,614	-	3,517,673
-	-	-	-
-	-	-	866,832
-	-	-	16,022,381
-	-	-	139,763
-	-	-	325,367
-	-	-	-
-	-	-	-
25,000	-	-	-
14,630	-	-	-
400,366	120,308	-	-
331,680	-	-	-
-	-	-	-
<u>775,184</u>	<u>127,545</u>	<u>7,632</u>	<u>24,977,746</u>
104,235	10,988	-	-
<u>104,235</u>	<u>10,988</u>	<u>-</u>	<u>-</u>

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET POSITION JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
NET POSITION			
Net investment in capital assets	\$ 44,321,919	\$ 543,777	\$ 44,865,696
Restricted for:			
Capital improvements	5,325,902	-	5,325,902
Judicial programs	459,222	-	459,222
Public safety	223,901	-	223,901
Other purposes	-	-	-
Unrestricted	12,138,822	(2,933,882)	9,204,940
Total net position	<u>\$ 62,469,766</u>	<u>\$ (2,390,105)</u>	<u>\$ 60,079,661</u>

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

Component Units				
Health Department	Library	Development Authority	Hospital Authority	
\$ -	\$ 295,528	\$ -	\$ 1,680,861	
-	-	383,696	-	
-	-	-	-	
-	-	-	-	
-	10,440	448,701	5,306,865	
32,540	428,819	3,678,943	9,165,239	
<u>\$ 32,540</u>	<u>\$ 734,787</u>	<u>\$ 4,511,340</u>	<u>\$ 16,152,965</u>	

STEPHENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 5,215,661	\$ 1,963,777	\$ 100,642	\$ -
Judicial	1,618,418	438,739	161,990	-
Public safety	6,798,982	1,003,255	25,835	173,491
Public works	3,486,683	-	-	740,214
Health and welfare	1,627,456	17,188	-	-
Recreation	758,486	66,319	-	-
Housing and development	317,288	-	-	-
Interest on long-term debt	167,142	-	-	-
Total governmental activities	<u>19,990,116</u>	<u>3,489,278</u>	<u>288,467</u>	<u>913,705</u>
Business-type activities:				
Solid waste management	422,577	881	-	-
Total business-type activities	<u>422,577</u>	<u>881</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 20,412,693</u>	<u>\$ 3,490,159</u>	<u>\$ 288,467</u>	<u>\$ 913,705</u>
Component units:				
Health Department	\$ 1,025,308	\$ 245,255	\$ 489,725	\$ -
Library	332,852	21,236	-	-
Development Authority	277,056	36,355	-	1,000
Hospital Authority	48,006,057	42,695,506	-	-
Total component unit	<u>\$ 49,641,273</u>	<u>\$ 42,998,352</u>	<u>\$ 489,725</u>	<u>\$ 1,000</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position (deficit), beginning of year				
Net position (deficit), 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	Development Authority	Hospital Authority
\$ (3,151,242)	\$ -	\$ (3,151,242)	\$ -	\$ -	\$ -	\$ -
(1,017,689)	-	(1,017,689)	-	-	-	-
(5,596,401)	-	(5,596,401)	-	-	-	-
(2,746,469)	-	(2,746,469)	-	-	-	-
(1,610,268)	-	(1,610,268)	-	-	-	-
(692,167)	-	(692,167)	-	-	-	-
(317,288)	-	(317,288)	-	-	-	-
(167,142)	-	(167,142)	-	-	-	-
<u>(15,298,666)</u>	<u>-</u>	<u>(15,298,666)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	(421,696)	(421,696)	-	-	-	-
-	(421,696)	(421,696)	-	-	-	-
<u>\$ (15,298,666)</u>	<u>\$ (421,696)</u>	<u>\$ (15,720,362)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (290,328)	\$ -	\$ -	\$ -
-	-	-	-	(311,616)	-	-
-	-	-	-	-	(239,701)	-
-	-	-	-	-	-	(5,310,551)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (290,328)</u>	<u>\$ (311,616)</u>	<u>\$ (239,701)</u>	<u>\$ (5,310,551)</u>
\$ 9,390,132	\$ -	\$ 9,390,132	\$ -	\$ -	\$ -	\$ -
5,371,697	-	5,371,697	-	-	-	-
1,170,387	-	1,170,387	-	-	-	-
-	-	-	-	253,550	235,205	-
1,306	3	1,309	-	11,550	525	19,008
-	-	-	86,486	10,690	-	-
(358,107)	358,107	-	-	-	-	-
<u>15,575,415</u>	<u>358,110</u>	<u>15,933,525</u>	<u>86,486</u>	<u>275,790</u>	<u>235,730</u>	<u>19,008</u>
<u>276,749</u>	<u>(63,586)</u>	<u>213,163</u>	<u>(203,842)</u>	<u>(35,826)</u>	<u>(3,971)</u>	<u>(5,291,543)</u>
62,193,017	(2,326,519)	59,866,498	236,382	770,613	4,515,311	21,444,508
<u>\$ 62,469,766</u>	<u>\$ (2,390,105)</u>	<u>\$ 60,079,661</u>	<u>\$ 32,540</u>	<u>\$ 734,787</u>	<u>\$ 4,511,340</u>	<u>\$ 16,152,965</u>

STEPHENS COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2018

	General	SPLOST	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 9,849,886	\$ 6,800,283	\$ 898,580	\$ 17,548,749
Taxes receivable	18,751	-	5,595	24,346
Accounts receivable	53,595	-	286,346	339,941
Due from other governments	323,346	954,738	36,387	1,314,471
Due from other funds	1,769,356	-	681,731	2,451,087
Prepaid items	193,789	8,169	24,109	226,067
Advances to other funds	771,829	-	159,122	930,951
Total assets	<u>\$ 12,980,552</u>	<u>\$ 7,763,190</u>	<u>\$ 2,091,870</u>	<u>\$ 22,835,612</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 705,015	\$ 13,719	\$ 54,792	\$ 773,526
Accrued liabilities	195,336	-	1,411	196,747
Due to other funds	681,731	1,637,741	120,754	2,440,226
Due to other governments	-	169,262	-	169,262
Advances from other funds	-	616,566	314,385	930,951
Total liabilities	<u>1,582,082</u>	<u>2,437,288</u>	<u>491,342</u>	<u>4,510,712</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grant	-	-	45,628	45,628
Unavailable revenue - property taxes	16,815	-	-	16,815
Total deferred inflows of resources	<u>16,815</u>	<u>-</u>	<u>45,628</u>	<u>62,443</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	193,789	8,169	24,109	226,067
Advances to other funds	771,829	-	159,122	930,951
Restricted for:				
Judicial programs	-	-	459,222	459,222
Public safety	-	-	223,901	223,901
Capital improvements	-	5,317,733	693,366	6,011,099
Assigned for:				
Landfill post-closure care costs	2,901,286	-	-	2,901,286
Jail commissary activities	-	-	10,354	10,354
Capital improvements	1,492,753	-	116,834	1,609,587
Subsequent year's budget	3,671,333	-	-	3,671,333
Unassigned	2,350,665	-	(132,008)	2,218,657
Total fund balances	<u>11,381,655</u>	<u>5,325,902</u>	<u>1,554,900</u>	<u>18,262,457</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,980,552</u>	<u>\$ 7,763,190</u>	<u>\$ 2,091,870</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.	51,548,616
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	62,443
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,403,750)

Net position of governmental activities

\$ 62,469,766

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, 2018

	General	SPLOST	Nonmajor Governmental Funds	Total
Revenues:				
Property taxes	\$ 9,386,577	\$ -	\$ -	\$ 9,386,577
Sales taxes	2,086,458	3,285,239	-	5,371,697
Other taxes	1,133,939	-	36,448	1,170,387
Licenses and permits	80,735	-	-	80,735
Intergovernmental	395,068	-	926,672	1,321,740
Rents and royalties	43,833	-	-	43,833
Charges for services	539,596	-	659,591	1,199,187
Fines and forfeitures	438,739	-	104,052	542,791
Interest	970	1,220	336	2,526
Other revenues	730,160	673,478	52,678	1,456,316
Total revenues	<u>14,836,075</u>	<u>3,959,937</u>	<u>1,779,777</u>	<u>20,575,789</u>
Expenditures:				
Current:				
General government	2,612,706	-	-	2,612,706
Judicial	1,603,065	-	8,714	1,611,779
Public safety	4,941,350	-	922,638	5,863,988
Public works	1,216,755	-	184,311	1,401,066
Health and welfare	1,530,786	-	72,978	1,603,764
Culture and recreation	642,481	-	18,224	660,705
Housing and development	317,288	-	-	317,288
Intergovernmental	-	985,571	-	985,571
Capital outlay	-	2,367,812	269,762	2,637,574
Debt service:				
Principal	342,969	1,562,226	124,923	2,030,118
Interest	74,567	100,818	5,267	180,652
Total expenditures	<u>13,281,967</u>	<u>5,016,427</u>	<u>1,606,817</u>	<u>19,905,211</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,554,108</u>	<u>(1,056,490)</u>	<u>172,960</u>	<u>670,578</u>
Other financing sources (uses):				
Transfers in	18,224	-	563,842	582,066
Transfers out	(921,949)	-	(18,224)	(940,173)
Proceeds from the sale of capital assets	1,100	-	-	1,100
Total other financing sources (uses)	<u>(902,625)</u>	<u>-</u>	<u>545,618</u>	<u>(357,007)</u>
Net change in fund balances	651,483	(1,056,490)	718,578	313,571
Fund balance, beginning of year	<u>10,730,172</u>	<u>6,382,392</u>	<u>836,322</u>	<u>17,948,886</u>
Fund balance, end of year	<u>\$ 11,381,655</u>	<u>\$ 5,325,902</u>	<u>\$ 1,554,900</u>	<u>\$ 18,262,457</u>

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

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, 2018

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

Net change in fund balances - total governmental funds	\$ 313,571
--	------------

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.	(2,197,838)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	49,183
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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.	2,030,118
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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.

Accrued interest	13,510
Compensated absences	68,205

	\$ 276,749
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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, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 8,639,428	\$ 8,630,924	\$ 9,386,577	\$ 755,653
Sales taxes	2,022,268	2,022,268	2,086,458	64,190
Other taxes	1,100,919	1,100,918	1,133,939	33,021
Licenses and permits	78,199	78,199	80,735	2,536
Intergovernmental	372,818	354,822	395,068	40,246
Rents and royalties	38,685	38,685	43,833	5,148
Charges for services	558,347	578,843	539,596	(39,247)
Fines and forfeitures	342,127	342,127	438,739	96,612
Interest income	720	720	970	250
Other revenues	769,743	776,763	730,160	(46,603)
Total revenues	13,923,254	13,924,269	14,836,075	911,806
Expenditures:				
Current:				
General government:				
General administration	1,803,798	1,825,937	1,739,702	86,235
Registrar/elections	103,337	103,269	90,355	12,914
Tax commissioner	358,440	358,440	343,176	15,264
Tax assessor	429,134	443,928	439,473	4,455
Total general government	2,694,709	2,731,574	2,612,706	118,868
Judicial:				
Clerk of courts	513,555	542,057	523,001	19,056
Superior court	130,422	133,747	128,127	5,620
District attorney	144,066	146,566	140,877	5,689
Indigent defense	255,562	255,562	252,348	3,214
State court	141,767	152,008	146,734	5,274
Magistrate court	71,163	73,695	71,375	2,320
Probate court	189,940	208,865	206,767	2,098
Juvenile court	177,997	142,845	133,836	9,009
Total judicial	1,624,472	1,655,345	1,603,065	52,280
Public safety:				
Sheriff's office	2,426,688	2,410,766	2,248,689	162,077
Jail operations	2,034,548	2,052,807	1,983,654	69,153
Coroner	47,987	58,003	53,509	4,494
Emergency management	62,273	62,273	60,768	1,505
Probation office	144,445	144,445	141,397	3,048
Animal control	149,939	159,939	159,939	-
Rural fire protection	307,472	316,911	293,394	23,517
Total public safety	5,173,352	5,205,144	4,941,350	263,794
Public works:				
Public works department	1,120,103	1,161,353	1,143,821	17,532
Maintenance and shop	62,758	83,417	72,934	10,483
Total public works	1,182,861	1,244,770	1,216,755	28,015

(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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Current (Continued):				
Health and welfare:				
Public welfare	\$ 54,372	\$ 54,372	\$ 47,275	\$ 7,097
Health and human services	1,262,613	1,269,791	1,269,791	-
Senior citizens center	232,508	242,824	213,720	29,104
Total health and welfare	1,549,493	1,566,987	1,530,786	36,201
Culture and recreation:				
Parks and recreation	397,790	416,290	388,931	27,359
Library	253,550	253,550	253,550	-
Total culture and recreation	651,340	669,840	642,481	27,359
Housing and development:				
County agent's office	75,206	66,680	58,779	7,901
Planning and zoning	5,305	5,305	4,809	496
Economic development	153,500	182,000	182,000	-
Building inspection	25,300	25,300	22,645	2,655
Airport	10,000	10,000	10,000	-
Payments to other agencies	289,767	92,908	39,055	53,853
Total housing and development	559,078	382,193	317,288	64,905
Debt service:				
Principal	342,969	342,969	342,969	-
Interest	68,827	74,568	74,567	1
Total debt service	411,796	417,537	417,536	1
Total expenditures	13,847,101	13,873,390	13,281,967	591,423
Excess of revenues over expenditures	76,153	50,879	1,554,108	1,503,229
Other financing sources (uses):				
Transfers in	15,545	15,545	18,224	2,679
Transfers out	(838,235)	(921,949)	(921,949)	-
Proceeds from the sale of capital assets	-	-	1,100	1,100
Total other financing uses	(822,690)	(906,404)	(902,625)	3,779
Net change in fund balance	(746,537)	(855,525)	651,483	1,507,008
Fund balance, beginning of year	10,730,172	10,730,172	10,730,172	-
Fund balance, end of year	\$ 9,983,635	\$ 9,874,647	\$ 11,381,655	\$ 1,507,008

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2018

	Solid Waste Management Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 10,861
Total current assets	<u>10,861</u>
Noncurrent assets:	
Capital assets:	
Nondepreciable assets	504,942
Depreciable assets	466,640
Less accumulated depreciation	<u>(427,805)</u>
Total capital assets net of accumulated depreciation	<u>543,777</u>
Total assets	<u>554,638</u>
LIABILITIES	
Current liabilities:	
Accounts payable	32,596
Due to other funds	<u>10,861</u>
Total current liabilities	<u>43,457</u>
Long-term liabilities:	
Accrued closure/post-closure care costs	<u>2,901,286</u>
Total long-term liabilities	<u>2,901,286</u>
Total liabilities	<u>2,944,743</u>
NET POSITION	
Investment in capital assets	543,777
Unrestricted (deficit)	<u>(2,933,882)</u>
Total net position	<u>\$ (2,390,105)</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, 2018

	Solid Waste Management Fund
OPERATING REVENUES	
Charges for services:	
Landfill fees	\$ 881
Total operating revenues	<u>881</u>
OPERATING EXPENSES	
Salaries and benefits	73,142
Supplies and maintenance	45,336
Utilities	9,783
Office expense	4,352
Contractual services	276,747
Depreciation	4,161
Indirect costs	<u>9,056</u>
Total operating expenses	<u>422,577</u>
Operating loss	<u>(421,696)</u>
NON-OPERATING REVENUE	
Interest income	<u>3</u>
Total non-operating revenue	<u>3</u>
Loss before transfers	(421,693)
Transfer in	<u>358,107</u>
Change in net position	(63,586)
NET POSITION (DEFICIT), beginning of year	<u>(2,326,519)</u>
NET POSITION (DEFICIT), end of year	<u><u>\$ (2,390,105)</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, 2018

	Solid Waste Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 911
Payments to suppliers and service providers	(361,898)
Payments to employees	(73,142)
	<u>(434,129)</u>
Net cash used in operating activities	<u>(434,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>3</u>
Net cash provided by investing activities	<u>3</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	<u>358,107</u>
Net cash provided by noncapital activities	<u>358,107</u>
Net decrease in cash and cash equivalents	(76,019)
Cash and cash equivalents:	
Beginning of year	<u>86,880</u>
End of year	<u><u>\$ 10,861</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (421,696)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,161
Decrease in accounts receivable	30
Increase in accounts payable	8,096
Decrease in due to other funds	(76,019)
Increase in closure/post-closure payable	<u>51,299</u>
Net cash used in operating activities	<u><u>\$ (434,129)</u></u>

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

STEPHENS COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES FIDUCIARY FUNDS JUNE 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 820,916
Taxes receivable	23,776
Accounts receivable	<u>435</u>
Total assets	<u><u>\$ 845,127</u></u>
LIABILITIES	
Due to others	\$ 821,351
Uncollected taxes	<u>23,776</u>
Total liabilities	<u><u>\$ 845,127</u></u>

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

STEPHENS COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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)

Discretely Presented Component Units (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.

The Stephens County Development Authority (the "Development Authority") is governed by a five-member board consisting of one member of the County's Board of Commissioners and two members as appointed by the County Commissioners. A financial burden exists with respect to the County's relationship with the Development Authority. The Development Authority has a June 30th year-end and is presented as a business-type component unit.

The Authority's financial statements can be obtained by writing to the Stephens County Development Authority, 31 W. Doyle Street, Toccoa, Georgia 30577.

The Stephens County Hospital Authority (the "Hospital Authority") is governed by a seven-member board appointed by the County Commissioners. The Hospital Authority and the County have entered into an intergovernmental agreement whereby the County will levy an annual tax, if necessary to provide sufficient funds to the Hospital Authority to make its debt service payments should the Hospital Authority be unable to make the payments from its revenues. The Hospital Authority has a September 30th year-end and is presented as a business-type component unit.

The Authority's financial statements can be obtained by writing to the Stephens County Hospital Authority, 163 Hospital Drive, 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 units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 1% Special Purpose Local Option Sales Tax program.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 non-operating 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.

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, the 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 the Capital Projects Fund 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".

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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*, have 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 reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County did not have any items that required reporting in this category.

In addition to liabilities, the Statement of Net Position and the Governmental Funds Balance Sheet report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position or 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 two items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items are reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from both property taxes and grants. These amounts are deferred and will be recognized as inflows 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 difference are as follows:

General obligation bonds payable	\$ (4,440,000)
Note payable	(1,877,292)
Capital leases payable	(909,405)
Accrued interest payable	(35,390)
Compensated absences	<u>(141,663)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ (7,403,750)</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 difference are as follows:

Capital outlay	\$ 940,321
Depreciation expense	<u>(3,138,159)</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>\$ (2,197,838)</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 difference are as follows:

Principal repayments:	
Note payable	\$ 617,727
Bonds payable	1,195,000
Capital leases	<u>217,391</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>\$ 2,030,118</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, the 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 27, 2017, or as amended by the Board of Commissioners. The supplementary budgetary appropriations made were not material.

B. Deficit Net Position

The Solid Waste Management Fund reported a deficit net position of \$2,390,105 as of June 30, 2018. It is anticipated that the deficit will be reduced by future transfers from the General Fund.

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, 2018, the deposits of the County 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, 2018, for the County's individual major and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 18,751	\$ -	\$ 5,595	\$ 24,346
Other governments	323,346	954,738	36,387	1,314,471
Accounts	53,595	-	286,346	339,941
Net receivables	<u>\$ 395,692</u>	<u>\$ 954,738</u>	<u>\$ 328,328</u>	<u>\$ 1,678,758</u>

Property taxes were levied on September 8, 2017. Bills are payable on or before November 15, 2017, after which the applicable property is subject to lien. The County bills and collects its own property taxes. Property taxes levied for 2018 are recorded as receivables. The receivables collected during the year ended June 30, 2018, and collected by August 31, 2018, are recognized as revenues in the year ended June 30, 2018.

Net receivables estimated to be collected subsequent to August 31, 2018 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually. Property taxes are attached as an enforceable lien on property as of January 2, 2018.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,131,406	\$ 27,569	\$ -	\$ 1,158,975
Total capital assets, not being depreciated	<u>1,131,406</u>	<u>27,569</u>	<u>-</u>	<u>1,158,975</u>
Capital assets, being depreciated:				
Infrastructure	59,614,141	-	-	59,614,141
Buildings	28,895,004	208,475	-	29,103,479
Machinery and equipment	8,837,896	486,940	(20,509)	9,304,327
Vehicles	4,988,153	217,337	(27,945)	5,177,545
Total capital assets, being depreciated	<u>102,335,194</u>	<u>912,752</u>	<u>(48,454)</u>	<u>103,199,492</u>
Less accumulated depreciation for:				
Infrastructure	30,568,273	1,490,354	-	32,058,627
Buildings	10,090,443	621,057	-	10,711,500
Machinery and equipment	5,253,981	465,551	(20,509)	5,699,023
Vehicles	3,807,449	561,197	(27,945)	4,340,701
Total accumulated depreciation	<u>49,720,146</u>	<u>3,138,159</u>	<u>(48,454)</u>	<u>52,809,851</u>
Total capital assets, being depreciated, net	<u>52,615,048</u>	<u>(2,225,407)</u>	<u>-</u>	<u>50,389,641</u>
Governmental activities capital assets, net	<u>\$ 53,746,454</u>	<u>\$ (2,197,838)</u>	<u>\$ -</u>	<u>\$ 51,548,616</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (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	377,757	-	-	377,757
Vehicles	31,980	-	-	31,980
Total capital assets, being depreciated	466,640	-	-	466,640
Less accumulated depreciation for:				
Buildings	30,532	-	-	30,532
Machinery and equipment	361,132	4,161	-	365,293
Vehicles	31,980	-	-	31,980
Total accumulated depreciation	423,644	4,161	-	427,805
Total capital assets being depreciated, net	42,996	(4,161)	-	38,835
Business-type activities capital assets, net	\$ 547,938	\$ (4,161)	\$ -	\$ 543,777

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

Governmental activities:	
General government	\$ 1,672,058
Judicial	6,639
Public safety	969,326
Public works	333,260
Health and welfare	22,997
Culture and recreation	133,879
Total depreciation expense - governmental activities	\$ 3,138,159
Business-type activities:	
Solid waste management	\$ 4,161

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, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 5,635,000	\$ -	\$ (1,195,000)	\$ 4,440,000	\$ 1,435,000
Capital leases	1,126,796	-	(217,391)	909,405	222,060
Notes payable	2,495,019	-	(617,727)	1,877,292	623,644
Compensated absences	209,868	39,058	(107,263)	141,663	86,810
Governmental activities long-term liabilities	<u>\$ 9,466,683</u>	<u>\$ 39,058</u>	<u>\$ (2,137,381)</u>	<u>\$ 7,368,360</u>	<u>\$ 2,367,514</u>
Business-type activities:					
Landfill closure/post-closure	\$ 2,849,987	\$ 51,299	\$ -	\$ 2,901,286	\$ -
Business-type activities long-term liabilities	<u>\$ 2,849,987</u>	<u>\$ 51,299</u>	<u>\$ -</u>	<u>\$ 2,901,286</u>	<u>\$ -</u>

For governmental funds, compensated absences are liquidated by the General Fund and E911 Fund. For business-type activities, compensated absences are liquidated by the Solid Waste Management Fund.

General Obligation Bonds. In May 2015, the County issued \$4,500,000 in general obligation sales tax bonds to provide funds for the acquisition and construction of major capital items, with repayment derived from special purpose local option sales tax collections. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The interest rate on the general obligation sales tax bonds is 1.43%.

In December 2016, the County issued \$2,000,000 in general obligation sales tax bonds to provide funds for the acquisition and construction of major capital items, with repayment derived from special purpose local option sales tax collections. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The interest rate on the general obligation sales tax bonds is 1.49%.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,435,000	\$ 54,088	\$ 1,489,088
2020	1,480,000	32,916	1,512,916
2021	1,525,000	11,082	1,536,082
Total	<u>\$ 4,440,000</u>	<u>\$ 98,086</u>	<u>\$ 4,538,086</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Leases. The County 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 date. The interest rate on the leases is 2.08%.

The cost and related accumulated depreciation of assets under capital leases as of June 30, 2018 is as follows:

	<u>Governmental Activities</u>
Equipment	\$ 1,455,519
Less accumulated depreciation	<u>(407,658)</u>
	<u><u>\$ 1,047,861</u></u>

The County recorded depreciation expense in the amount of \$171,812 for the year ended June 30, 2018.

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

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 239,055
2020	533,640
2021	<u>164,772</u>
Total minimum lease payments	937,467
Less amount representing interest	<u>28,062</u>
Present value of future minimum lease payments	<u><u>\$ 909,405</u></u>

Notes 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%.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued). The County entered into a note payable agreement in September 2014 for the purpose of providing funding for E911 equipment. The total amount of funding provided was \$1,371,447. Payments are due monthly beginning December 2014 through November 2019 with an interest rate of 2.082%

Debt service requirements to maturity at June 30, 2018 for the notes payable are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 623,644	\$ 58,314	\$ 681,958
2020	460,032	39,708	499,740
2021	340,120	25,421	365,541
2022	340,120	11,869	351,989
2023	113,376	944	114,320
Total	<u>\$ 1,877,292</u>	<u>\$ 136,256</u>	<u>\$ 2,013,548</u>

Landfill post-closure costs. Effective February 2016, the County's landfill was closed and no additional waste has been accepted. State and Federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. The total estimated liability for post-closure care is \$2,901,286 at June 30, 2018. These costs are based on what it would cost to perform all post-closure care in 2018. 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, 2018, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 120,754
General Fund	SPLOST Fund	1,637,741
General Fund	Solid Waste Management Fund	10,861
Nonmajor Governmental Funds	General Fund	681,731
		<u>\$ 2,451,087</u>

Advances to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	SPLOST Fund	\$ 457,444
Nonmajor Governmental Funds	SPLOST Fund	159,122
General Fund	Nonmajor Governmental Funds	314,385
		<u>\$ 930,951</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. The advance to the SPLOST fund is expected to be repaid over the course of the next year from future SPLOST receipts as the General Fund paid for various SPLOST approved capital expenditures. The advance from the E911 fund is expected to be repaid from future E911 charges for services over the next year.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 18,224
Nonmajor Governmental Funds	General Fund	563,842
Solid Waste Management Fund	General Fund	358,107
		<u>\$ 940,173</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.

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 284 at June 30, 2018. For the fiscal year ended June 30, 2018, the County's contribution to the Plan was \$63,229. Employee voluntary contributions are not allowed under provisions of the Plan.

	Amount	Percent of covered-payroll
Contribution requirement by County	\$ 63,229	1.50%
Contributions made by County	63,229	1.50%
Total covered payroll	4,215,267	

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED CONTRIBUTION PENSION PLAN (CONTINUED)

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.

NOTE 10. 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.

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, which are 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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.

In October 2006, the Stephens County Hospital Authority (the Hospital Authority) issued \$4,000,000 in aggregate principal amount of Revenue Anticipation Certificates Series 2006 ("Series 2006" Certificates). The Series 2006 Certificates were issued to (1) partially finance certain additions, extensions and improvement to the Hospital, and (2) pay certain costs incurred in connection with the issuance of the Series 2006 Certificates.

In May 2017, the Hospital Authority issued \$15,000,000, Series 2017A and Series 2017B Stephens County Hospital Authority revenue anticipation certificates (\$9,500,000 of Series 2017A tax exempt and \$5,500,000 of Series 2017B taxable). The Series 2017A Certificates were issued to (1) pay-off the outstanding balance of the Series 2006 Certificates, (2) finance certain additions, extensions and improvements to the Hospital, and (3) pay certain costs incurred in connection with the issuance of the Series 2006 Certificates. The Series 2017B Certificates were issued to payoff various outstanding loans of the Hospital.

Under the terms of intergovernmental agreements entered into simultaneously with the issuance of the 2017 Certificates, the County has agreed to levy an ad valorem property tax on all taxable property located within the County as may be necessary to make the required principal and interest payments, should the Hospital Authority have insufficient funds to make such payments. No such payments by the County were made during the fiscal year ended June 30, 2018.

NOTE 12. 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, 2018, the County paid \$19,033 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. TAX ABATEMENT AGREEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, the County is required to disclose certain information about tax abatements as defined in the Statement. For the purposes of GASB No. 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the County or the citizens of the County. The County has entered into such agreements. The following is a description of the County's abatement program where the County has promised to forgo taxes.

The Stephens County Board of Commissioners and Stephens County Development Authority Board of Commissioners authorize industries which create new jobs in the County from investing in new facilities. Abatements of real and personal property taxes are provided to the companies based on a criteria calculation which includes targeted industry, capital investment and employment. The abatement may reduce the amount of property taxes paid over seven to twenty-five years. The agreements may contain claw back provisions which would result in the re-payment of the annual tax abatement for each year the Company fails to meet its jobs/investment commitment. For the fiscal year ended June 30, 2018, the County abated property taxes totaling \$182,452.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Water Lines Fund – This 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 to be used specifically for work being done on the water lines throughout the County.

Juvenile Supervision Fund – This 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 – This 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 – This fund accounts for the match portion of the membership to the local federal agencies.

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

E-911 Fund – This 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.

Hotel/Motel Tax Fund – This 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 – This 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 – This 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 – This 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, 2018

ASSETS	Special Revenue Funds				
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund
Cash and cash equivalents	\$ 73,233	\$ 7,903	\$ 2,182	\$ 428,176	\$ 45,755
Accounts receivable	-	-	-	-	-
Taxes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Due from other governments	2,624	-	-	33,763	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	<u>\$ 75,857</u>	<u>\$ 7,903</u>	<u>\$ 2,182</u>	<u>\$ 461,939</u>	<u>\$ 45,755</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 1,120	\$ -	\$ -	\$ 2,221	\$ 408
Accrued salaries	1,411	-	-	-	-
Due to other funds	54,999	-	-	63,744	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>57,530</u>	<u>-</u>	<u>-</u>	<u>65,965</u>	<u>408</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grant	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable for:					
Prepaid items	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Restricted for:					
Judicial programs	-	-	2,182	395,974	-
Public safety	18,327	-	-	-	45,347
Capital improvements	-	-	-	-	-
Assigned for:					
Jail commissary activity	-	-	-	-	-
Capital improvements	-	7,903	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>18,327</u>	<u>7,903</u>	<u>2,182</u>	<u>395,974</u>	<u>45,347</u>
Total liabilities and fund balances	<u>\$ 75,857</u>	<u>\$ 7,903</u>	<u>\$ 2,182</u>	<u>\$ 461,939</u>	<u>\$ 45,755</u>

Jail Commissary Fund	E911	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 10,354	\$ 159,418	\$ -	\$ 61,510	\$ -	\$ 110,049	\$ 898,580
-	68,856	-	-	217,490	-	286,346
-	-	5,595	-	-	-	5,595
-	24,109	-	-	-	-	24,109
-	-	-	-	-	-	36,387
-	-	-	-	681,731	-	681,731
-	159,122	-	-	-	-	159,122
<u>\$ 10,354</u>	<u>\$ 411,505</u>	<u>\$ 5,595</u>	<u>\$ 61,510</u>	<u>\$ 899,221</u>	<u>\$ 110,049</u>	<u>\$ 2,091,870</u>
\$ -	\$ 45,897	\$ 3,584	\$ 444	\$ -	\$ 1,118	\$ 54,792
-	-	-	-	-	-	1,411
-	-	2,011	-	-	-	120,754
-	314,385	-	-	-	-	314,385
-	360,282	5,595	444	-	1,118	491,342
-	-	-	-	45,628	-	45,628
-	-	-	-	45,628	-	45,628
-	24,109	-	-	-	-	24,109
-	159,122	-	-	-	-	159,122
-	-	-	61,066	-	-	459,222
-	-	-	-	160,227	-	223,901
-	-	-	-	693,366	-	693,366
10,354	-	-	-	-	-	10,354
-	-	-	-	-	108,931	116,834
-	(132,008)	-	-	-	-	(132,008)
<u>10,354</u>	<u>51,223</u>	<u>-</u>	<u>61,066</u>	<u>853,593</u>	<u>108,931</u>	<u>1,554,900</u>
<u>\$ 10,354</u>	<u>\$ 411,505</u>	<u>\$ 5,595</u>	<u>\$ 61,510</u>	<u>\$ 899,221</u>	<u>\$ 110,049</u>	<u>\$ 2,091,870</u>

STEPHENS COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue Funds				
	Jail Fund	Water Lines Fund	Juvenile Supervision Fund	Drug Rehabilitation Fund	Drug Task Force Fund
Revenues:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	59,815	-
Charges for services	61,532	-	-	-	-
Fines and forfeitures	7,878	-	1,040	59,692	14,407
Interest income	3	-	-	34	-
Other revenues	-	-	-	-	-
Total revenues	<u>69,413</u>	<u>-</u>	<u>1,040</u>	<u>119,541</u>	<u>14,407</u>
Expenditures:					
Current:					
Judicial	-	-	-	-	-
Public safety	65,763	-	-	-	8,605
Public works	-	-	-	-	-
Health and welfare	-	-	2,050	70,928	-
Culture and recreation	-	-	-	-	-
Capital outlay	22,564	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>88,327</u>	<u>-</u>	<u>2,050</u>	<u>70,928</u>	<u>8,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,914)</u>	<u>-</u>	<u>(1,010)</u>	<u>48,613</u>	<u>5,802</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(18,914)	-	(1,010)	48,613	5,802
Fund balances, beginning of year	<u>37,241</u>	<u>7,903</u>	<u>3,192</u>	<u>347,361</u>	<u>39,545</u>
Fund balances, end of year	<u>\$ 18,327</u>	<u>\$ 7,903</u>	<u>\$ 2,182</u>	<u>\$ 395,974</u>	<u>\$ 45,347</u>

Jail Commissary Fund	E911	Hotel/Motel Tax Fund	Law Library Fund	Grant Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 36,448	\$ -	\$ -	\$ -	\$ 36,448
-	-	-	-	866,857	-	926,672
174,612	423,447	-	-	-	-	659,591
-	-	-	21,035	-	-	104,052
-	234	-	20	-	45	336
-	483	-	-	-	52,195	52,678
<u>174,612</u>	<u>424,164</u>	<u>36,448</u>	<u>21,055</u>	<u>866,857</u>	<u>52,240</u>	<u>1,779,777</u>
-	-	-	8,714	-	-	8,714
168,485	678,920	-	-	865	-	922,638
-	-	-	-	184,311	-	184,311
-	-	-	-	-	-	72,978
-	-	18,224	-	-	-	18,224
-	105,445	-	-	60,488	81,265	269,762
-	124,923	-	-	-	-	124,923
-	5,267	-	-	-	-	5,267
<u>168,485</u>	<u>914,555</u>	<u>18,224</u>	<u>8,714</u>	<u>245,664</u>	<u>81,265</u>	<u>1,606,817</u>
<u>6,127</u>	<u>(490,391)</u>	<u>18,224</u>	<u>12,341</u>	<u>621,193</u>	<u>(29,025)</u>	<u>172,960</u>
-	490,392	-	-	-	73,450	563,842
-	-	(18,224)	-	-	-	(18,224)
-	490,392	(18,224)	-	-	73,450	545,618
6,127	1	-	12,341	621,193	44,425	718,578
4,227	51,222	-	48,725	232,400	64,506	836,322
<u>\$ 10,354</u>	<u>\$ 51,223</u>	<u>\$ -</u>	<u>\$ 61,066</u>	<u>\$ 853,593</u>	<u>\$ 108,931</u>	<u>\$ 1,554,900</u>

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

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2014 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project	Estimated Cost		Expenditures		Total
	Original	Current	Prior Years	Current Year	
Roads, bridges, and culverts	\$ 10,378,431	\$ 10,378,431	\$ 5,495,778	\$ 1,984,177	\$ 7,479,955
Fire department	400,000	400,000	416,179	181,260	597,439
Ambulance vehicles	904,215	904,215	414,944	-	414,944
Sheriff vehicles	1,500,000	1,500,000	368,511	170,337	538,848
Courthouse annex renovations	230,000	230,000	-	-	-
Recreation upgrades and improvements	383,350	383,350	-	18,109	18,109
Jail equipment	50,000	50,000	35,396	-	35,396
Historic courthouse acoustics	35,000	35,000	16,549	-	16,549
Humane shelter parking lot	35,000	35,000	-	-	-
Emergency communications	750,000	750,000	1,398,671	-	1,398,671
City of Toccoa	6,285,427	6,285,427	2,843,834	985,571	3,829,405
City of Martin	217,000	217,000	217,000	-	217,000
City of Avalon	106,000	106,000	106,000	-	106,000
	<u>\$ 21,274,423</u>	<u>\$ 21,274,423</u>	<u>\$ 11,312,862</u>	<u>\$ 3,339,454</u>	<u>\$ 14,652,316</u>

Debt service payments on equipment already
included as an expenditure above

1,642,873
\$ 4,982,327

STEPHENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS - 2009 ISSUE FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Project	Estimated Cost		Expenditures		Total
	Original	Current	Prior Years	Current Year	
Sewer projects	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Hayestone-Brady Park Project	7,000,000	7,000,000	5,744,584	-	5,744,584
County fire projects	3,500,000	3,500,000	2,674,929	-	2,674,929
Purchase of sheriff vehicles	420,000	420,000	338,848	-	338,848
Road improvements	2,260,000	2,260,000	1,961,008	13,929	1,974,937
Airport terminal project	1,200,000	1,200,000	984,787	-	984,787
Farmer market project	100,000	100,000	102,600	-	102,600
Recreation project	700,000	700,000	363,267	-	363,267
Fueling station	200,000	200,000	202,602	-	202,602
	<u>\$ 16,380,000</u>	<u>\$ 16,380,000</u>	<u>\$ 13,372,625</u>	\$ 13,929	<u>\$ 13,386,554</u>
Debt service payments on equipment already included as an expenditure above				<u>20,171</u>	
				<u>\$ 34,100</u>	

STEPHENS COUNTY, GEORGIA

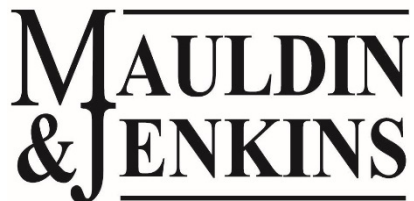
COMBINING BALANCE SHEET AGENCY FUNDS JUNE 30, 2018

<u>ASSETS</u>	<u>Tax Commissioner</u>	<u>Clerk of Courts</u>	<u>Probate Court</u>	<u>Magistrate Court</u>
Cash and cash equivalents	\$ 535,460	\$ 160,249	\$ 122	\$ 18,936
Taxes receivable	23,776	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 559,236</u>	<u>\$ 160,249</u>	<u>\$ 122</u>	<u>\$ 18,936</u>
<u>LIABILITIES</u>				
Due to others	\$ 535,460	\$ 160,249	\$ 122	\$ 18,936
Uncollected taxes	23,776	-	-	-
Total liabilities	<u>\$ 559,236</u>	<u>\$ 160,249</u>	<u>\$ 122</u>	<u>\$ 18,936</u>

<u>Sheriff</u>	<u>Jail Inmate</u>	<u>Probation Office</u>	<u>Total</u>
\$ -	\$ 55,665	\$ 50,484	\$ 820,916
-	-	-	23,776
-	435	-	435
<u>\$ -</u>	<u>\$ 56,100</u>	<u>\$ 50,484</u>	<u>\$ 845,127</u>

\$ -	\$ 56,100	\$ 50,484	\$ 821,351
-	-	-	23,776
<u>\$ -</u>	<u>\$ 56,100</u>	<u>\$ 50,484</u>	<u>\$ 845,127</u>

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, 2018, 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 April 24, 2019. Our report includes a reference to other auditors who audited the financial statements of the Stephens County Department of Public Health, the Stephens County Development Authority, and the Stephens County Hospital Authority 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 of the financial statements, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 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 the Finding

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.

Mauldin & Jenkins, LLC

Macon, Georgia
April 24, 2019

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018 due to the total amount expended being less than \$750,000.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001. 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: During our review of the internal control procedures of the County, we noted that there are instances of overlapping duties with regard to the day-to-day activities of the employees in 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.

Appropriate segregation of duties does not exist 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. Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Context: 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. Examples of segregation of duties issues are as follows:

- Cash receipts are handled by the same individual(s) who also makes bank deposits, reconciles the bank accounts, and posts activity to the general ledger.

STEPHENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2018-001. Segregation of Duties (Repeat finding) (Continued)

- Individuals responsible for the preparation of checks for disbursements are also approving the disbursements, signing the checks and reconciling the bank statements
- The individual responsible for the preparation of payroll is also responsible for other payroll duties, including timekeeping and distribution.
- The individual responsible for maintaining the detailed fixed asset records is also responsible for handling the General Ledger function.

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.

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: Although we understand the limited number of employees involved and the resulting overlapping of duties, we recommend that there be adequate segregation of duties to ensure proper recording and recognition of accounting transactions, and to lessen the potential for misappropriation of County assets. The duties of recording, distribution, approving, writing and signing of checks, and reconciliation of accounts should be segregated among employees.

Views of Responsible Officials/Corrective Action: 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, 2018

STATUS OF PRIOR YEAR AUDIT FINDINGS

2017-001. 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, 2017, there was 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 2018-001.

STEPHENS COUNTY, GEORGIA

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2018-001. Segregation of Duties

Name of the Contact Person Responsible for the Corrective Action Plan: Phyllis Ayers, County Manager.

Corrective Action Plan: 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.

Anticipated Completion Date: Future fiscal years.

May 8, 2019

Mrs. Phyllis Ayers
Stephens County Board of Commissioners
102 Tugalo Street
Toccoa, Georgia 30577

Dear Phyllis:

We are enclosing fifteen (15) bound copies and one (1) unbound copy of the Financial Report of Stephens County, Georgia for the year ended June 30, 2018, along with ten (10) Auditor's Discussion & Analysis and one (1) copy of our Management Letter.

Should you have any questions, please do not hesitate to call me. Thank you for allowing us to be of service.

Sincerely,

MAULDIN & JENKINS, LLC

Meredith H. Lipson

MHL:bd
Enclosures