

HEARD COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Heard County, Georgia

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heard County, Georgia, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. I did not audit the financial statements of the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, which represent 93 percent of the assets and 98 percent of the revenues in the component unit columns. Those financial statements were audited by other auditors whose report has been furnished to me, and my opinion on the basic financial statements, insofar as it relates to the amounts included for the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, is based on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Heard County, Georgia as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2015 the County adopted a new accounting principle GASB Statement No. 69 *Accounting and Financial Reporting for Pensions*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

The budgetary comparison information on pages 26, and the Pension Schedules on pages 27 and 28 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America.

I have applied certain limited procedures to the budgetary and pension 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Heard County, Georgia's basic financial statements. The combining nonmajor fund financial statements, and schedule of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, component unit statements, and schedule of state awards 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 my opinion, the combining and individual nonmajor fund financial statements and schedule of state awards 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, I have also issued my report dated January 3, 2016, on my consideration of the Heard County, Georgia's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the heard County, Georgia's internal; control over financial reporting and compliance.

Kim Kimmel CPA

Richland, Georgia
January 3, 2016

HEARD COUNTY, GEORGIA
Statement of Net Position
Primary Government as of June 30, 2015
Component Units as of June 30, 2015

	Primary	Component Units			
	Governmental	Heard Co.	Heard Co.	Heard Co.	Heard Co.
	Activities	Water Authority	Health Department	Development Authority	Public Facilities Authority
ASSETS					
Cash and cash equivalents	\$ 6,740,797	\$ 922,943	\$ 274,131	\$ 2,651,214	\$ 452
Investments	-	-	-	-	1,775,090
Accounts receivable	57,568	197,232	37,655	6,250	10,945
Sales tax receivable	257,547	-	-	-	-
Property tax receivable	211,687	-	-	-	-
Notes receivable-current	-	-	-	-	-
Inventory	-	33,524	-	-	-
Prepaid expenses	-	29,300	-	-	-
Restricted assets					
Cash	-	1,226,823	-	-	-
Notes receivable-current	-	-	-	55,218	-
Notes receivable-noncurrent	-	-	-	625,978	-
Nondepreciable Capital Assets	7,212,150	352,132	-	407,853	-
Depreciable Capital Assets, Net	33,936,964	17,277,935	28,742	378,740	-
Other assets	-	12,044	-	-	-
Total Assets	48,416,713	20,051,933	340,528	4,125,253	1,786,487
DEFERRED OUTFLOW OF RESOURCES					
Deferred pension plan charges	110,412	-	23,250	-	-
Total deferred outflow of resources	110,412	-	23,250	-	-
LIABILITIES					
Accounts payable	727,259	98,725	12,133	1,432	-
Customer deposits	-	216,653	-	-	-
Net pension liability	-	86,383	-	-	-
Long-term liabilities:					
Portion due within one year:	22,116	13,841	6,648	354,787	-
Portion due after one year:	1,167,967	1,019,967	218,503	206,241	2,000,000
Total Liabilities	1,917,342	1,435,569	237,284	562,460	2,000,000
DEFERRED INFLOW OF RESOURCES					
Pension plan	-	98,717	62,370	-	-
NET POSITION					
Net investment in capital assets	41,149,114	16,521,920	28,742	786,593	-
Restricted for:					
Debt service	-	105,459	-	-	-
Economic development	143,588	-	-	-	-
Public Safety	177,434	-	-	-	-
Public Health	36,297	-	-	-	-
Capital Projects	4,767,625	865,555	-	-	-
Unrestricted	335,725	1,024,713	35,382	3,095,500	(213,513)
Total Net Position	\$ 46,609,783	\$ 18,517,647	\$ 64,124	\$ 3,882,093	\$ (213,513)

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Activities
Primary Government Year Ended June 30, 2015
Component Units Years Ended June 30, 2015

Function/Program	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	
Governmental Activities:					
General Government	\$ 1,646,502	\$ 37,962	\$ 97,838	\$ -	\$ (1,510,702)
Court Administration	1,033,073	-	-	-	(1,033,073)
Public Safety	6,471,468	935,720	-	-	(5,535,748)
Public Works	1,537,681	-	-	323,886	(1,213,795)
Culture and recreation	999,008	-	-	-	(999,008)
Housing and development	292,136	75,517	-	-	(216,619)
Health and Welfare	1,021,481	125,484	291,014	-	(604,983)
Intergovernmental	805,703	-	-	-	(805,703)
Total Governmental Activities	13,807,052	1,174,683	388,852	323,886	(11,919,631)
Business-Type Activities:					
Total Business-Type Activities:	-	-	-	-	-
Total Primary Government	13,807,052	1,174,683	388,852	323,886	(11,919,631)
Component Units:					
Heard County Water Authority	2,599,050	2,182,742	-	-	(416,308)
Heard County Health Department	238,112	85,785	198,743	-	46,416
Heard County Development Authority	151,260	525,128	-	-	373,868
Heard County Public Facilities Authority	-	-	-	-	-
Total Component Units	\$ 2,988,422	\$ 2,793,655	\$ 198,743	\$ -	\$ 3,976

	Primary Governmental Activities	Component Units
Change in Net Assets:		
Net (expense) revenue	\$ (11,919,631)	\$ 3,976
General Revenues		
Property taxes	3,444,922	-
Sales taxes	7,617,669	-
Payment in lieu of taxes	1,336,804	-
Insurance premium tax	490,360	-
Other taxes	298,835	-
Investment Revenue	1,203	98,320
Other	253,571	-
Total general revenues and transfers	13,443,364	98,320
Changes in net position	1,523,733	102,296
Net position beginning of year	45,563,733	22,616,504
Adjustment for GASB 68	(477,683)	(468,449)
	<u>45,086,050</u>	<u>22,148,055</u>
Net position at end of year	\$ 46,609,783	\$ 22,250,351

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Balance Sheet
Governmental Funds
June 30, 2015

	General	2012 Special Purpose Local Option Tax	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 6,740,797	\$ 4,766,329	\$ 358,615	\$ 11,865,741
Investments	-	-	-	-
Accounts Receivable	57,568	-	-	57,568
Sales Taxes Receivable	257,547	-	-	257,547
Property Taxes Receivable	211,687	-	-	211,687
Total Assets	7,267,599	4,766,329	358,615	12,392,543
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	727,259	-	-	727,259
Total Liabilities	727,259	-	-	727,259
Deferred Inflows of Resources	170,021	-	-	170,021
Fund Balances				
Restricted for:				
Capital expenditures	-	4,766,329	1,296	4,767,625
Public safety	-	-	177,434	177,434
Public welfare	-	-	36,297	36,297
Lending	-	-	143,588	143,588
Unassigned	1,245,375	-	-	1,245,375
Total Fund Balances	1,245,375	4,766,329	358,615	6,370,319
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,142,655	\$ 4,766,329	\$ 358,615	\$ 7,267,599

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2015

Total Governmental Funds Balances	\$	6,370,319
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets of \$54,932,029 net of accumulated depreciation of \$13,782,915 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		41,149,114
Accrual based recording of net pension liability		(394,793)
Pension contributions made in current year to be applied in the next year recorded as deferred outflows in the government-wide balance sheet		110,412
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Deferred property taxes		170,021
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Due in more than one year		<u>(795,290)</u>
Net Position of Governmental Activities	\$	<u><u>46,609,783</u></u>

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2015

	General	2012 Special Purpose Local Option Tax	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 8,965,485	\$ 4,283,373	\$ -	\$ 13,248,858
Charges for Services	802,686	-	-	802,686
Licenses and Permits	107,529	-	-	107,529
Fines and Forfeitures	154,766	-	109,702	264,468
Intergovernmental	291,014	298,561	-	589,575
Interest	940	25,325	263	26,528
Other	210,610	-	43,561	254,171
Total Revenues	10,533,030	4,607,259	153,526	15,293,815
Expenditures				
Current				
General government	1,608,121	-	34	1,608,155
Judicial	973,600	-	-	973,600
Public safety	5,805,578	-	63,119	5,868,697
Public works	1,079,929	-	-	1,079,929
Culture and recreation	627,891	-	-	627,891
Housing and development	283,210	-	-	283,210
Health and welfare	1,011,049	-	1,605	1,012,654
Intergovernmental	-	805,703	-	805,703
Capital outlay	-	1,927,108	21,724	1,948,832
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	11,389,378	2,732,811	86,482	14,208,671
Net Change in Fund Balances	(856,348)	1,874,448	67,044	1,085,144
Fund Balances, Beginning	2,101,723	2,891,881	291,571	5,285,175
Adjustment	-	-	-	-
Fund balances beginning, as adjusted	2,101,723	2,891,881	291,571	5,285,175
Fund Balances at End of Year	\$ 1,245,375	\$ 4,766,329	\$ 358,615	\$ 6,370,319

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balances—Total Governmental Funds	\$ 1,085,144
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p>	
<p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year:</p>	
Capital Outlay—Depreciable Capital Assets	1,963,398
Depreciation	(1,611,578)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:</p>	
Property Taxes	(60,268)
<p>Adjustments to long-term liabilities recorded as expenditures in the fund financial statements:</p>	
Decrease in landfill post-closure liability	22,115
Increase in long-term compensated absences	(6,595)
Decrease in net pension liability	131,517
	131,517
Change in Net Position of Governmental Activities	\$ 1,523,733

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

	Tax Commis sioner	Clerk of Court	Probate Office	Magistrate Office	Sheriff Office	Tax Sale Escrow	Total
ASSETS							
Cash	\$ 179,659	\$ 133,365	\$ 8,027	\$ 4,795	\$ 45	\$ 19,796	\$ 345,687
Taxes receivable	734,965	-	-	-	-	-	734,965
Total assets	914,624	133,365	8,027	4,795	45	19,796	1,080,652
LIABILITIES							
Due to others	914,624	133,365	8,027	4,795	45	19,796	1,080,652
Total liabilities	\$ 914,624	\$ 133,365	\$ 8,027	\$ 4,795	\$ 45	\$ 19,796	\$ 1,080,652

See accompanying notes to the basic financial statements.

HEARD COUNTY, GEORGIA
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

1. REPORTING ENTITY

Heard County, Georgia was formed by the State legislature on December 22, 1830. The County operates under the control of a five member Board of Commissioners, plus a Chairman, all elected by the citizens of Heard County. The Chairman of the Board of Commissioners manages the daily activities of the County. Heard County provides the following services as authorized by its charter: public safety, public works, public health and welfare, recreation, and utilities.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the County are not misleading. The primary government of the County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Heard County, this includes all departments and activities that are operated directly by the elected County officials.

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

The component unit columns on the combined financial statements include the financial data of the County's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the County.

Heard County Health Department:

The Health Department operates a general health clinic for the benefit of the residents of Heard County. In addition to the County's contribution of financial support, the County Board of Commissioners appoints a majority of the Health Department's Board of Directors, and thereby exercises considerable influence upon the Health Department's activities. The Health Department's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Health Department as of and for the year ended June 30, 2015. The Health Department issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the Heard County Board of Public Health, Franklin, Georgia. The financial information of the Health Department is included in the combined financial statements as a discretely presented component unit.

Heard County Development Authority:

The Development Authority operates to promote economic development in Heard County. The County is financially responsible for the debt of the Development Authority. The Development Authority's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Development Authority as of and for the year ended June 30, 2015. The Development Authority issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the by writing to Heard County Development Authority, PO Box 368, Franklin, GA 30217. This financial information is included in the combined financial statements as a discretely presented component unit.

Heard County Public Facilities Authority

The Public Facilities Authority was formed to provide increased financing options for government entities within Heard County. Operations consist of arranging long term debt at low or no interest rates for the Board of Education. The accompanying financial statements include the financial information for the Public Facilities Authority as of and for the year ended June 30, 2015 as supplementary data. Separate financial statements are not issued. Financial information can be obtained by contacting the Heard County Commissioners.

Heard County Water Authority:

The Water Authority provides water delivery service to the citizens of Heard County. The County is financially responsible for the debt of the Water Authority. The Water Authority's fiscal year ends with June 30. The accompanying financial statements include the financial information for the Water Authority as of and for the year ended June 30, 2015. The Water Authority issues separately audited Component Unit Financial Statements. Copies of their statements may be obtained from the by writing to Heard County Water Authority, PO Box 610, Franklin, GA 30217. This financial information is included in the combined financial statements as a discretely presented component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements:

The Statement of net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds and component units that are fiduciary in nature. The effect of interfund activity, within the governmental type activities columns, has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The County's major funds are described below:

General Fund:

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

2012 SPLOST Fund:

This fund accounts for the receipt and expenditure of a 2012 Special Purpose Local Option Sales Tax referendum.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary to useful or sound financial administration. Goods or services from such activities can be provided to outside parties (Enterprise Funds) or to other departments or agencies primarily within the government (Internal Service Funds). The Proprietary funds used by the County are as follows:

Enterprise Funds:

The Heard County Water Authority Discretely Presented Component Unit is included in the financial statements as an enterprise fund.

Fiduciary Fund Types (Not included in government-wide statements)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund or a nonexpendable trust fund is used. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent. The County utilizes the following fiduciary funds:

Agency Funds-The County utilizes agency funds to account for the activities of the Tax Commissioner, Sheriff, and Clerk of Court, Probate Office, Magistrate Office, and Tax Sale Escrow Fund.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental

activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

Basis of Accounting

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

Revenues—Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including insurance premium tax), grants, interest, and rent.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The County budgets its operations on an annual basis for the general fund. The proposed budget is prepared each May by a Budget Committee consisting of the Board of Commissioners, the County Administrator, and the Financial Administrator. Budget requests from the various County departments are presented to this Committee for consideration. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Heard County. The final proposed budget is presented at a Board of Commissioners meeting for final passage prior to June 30. The final budget is adopted at public meeting. Grants and contracts received by the County during the year are governed by stipulated budgets that are normally officially adopted at the time the grants are approved.

Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Court administration, Public safety, Public works, Culture and recreation, Housing and development, Health and welfare, Capital outlay, and Debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Board. Within these control levels, management may transfer appropriations without Board approval.

Capital Projects Funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the accompanying combined financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. There were no outstanding encumbrances at year-end.

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of one thousand dollars. The County's infrastructure consists of roads, bridges, and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

In accordance with provisions of GASB 34, the County has only capitalized infrastructure purchased or constructed after July 1, 2003.

All capital assets are depreciated, except for land and improvements and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	40 - 100 years
Improvements	20 years
Vehicles	5 - 15 years
Machinery & equipment	5 - 20 years
Infrastructure	25 - 75 years

Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

Compensated Absences

Full time County employees earn personal leave time according to a schedule based upon length of employment. After one year of employment, an employee will receive 17 days. After five years of employment, an employee will receive 22 days. After ten years of employment, an employee will receive 27 days. After fifteen years of employment, an employee will receive 32 days. After twenty years of employment, an employee will receive 37 days.

All personal days which are not utilized during an employee's employment year shall not carry over to the next year. Except, such unused days, shall be designated as "banked" days, and shall be recorded and placed in a personal day's bank for that employee. Bank days are limited to 240 days.

An employee who dies while employed with the County or resigns in good standing with a two-week written notice, may receive the current year's accrual, plus banked days to a maximum of thirty leave days. An employee who retires at the normal retirement age may receive the full number of days in the employee's bank.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

Deferred Inflows/Outflows of Resources

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

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from property taxes.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted**—Amounts that can be spent only for specific purposes because of the County Charter, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed**—Amounts that can be used only for specific purposes determined by a formal action by the County Commission ordinance.
- **Assigned**—Amounts that are designated by the Commission Chair for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by County Commission.

- **Unassigned**—All amounts not included in other spendable classifications.

Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for sanitary landfill and recycling services and rent. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

Cash and Equivalents

Cash and equivalents include amounts in demand deposit accounts as well as short-term certificates of deposit with a maturity date of three months or less.

Investments

State statutes authorize the County to invest in obligations of United States government and agencies thereof, general obligations of the State of Georgia or any of its political subdivisions, or banks to the extent they are insured by the FDIC.

Estimates

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

3. DEPOSITS AND INVESTMENTS

Deposits- State statutes require that all public deposits in financial institutions be fully insured or collateralized by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The County's deposits were fully insured or collateralized as required by state statutes at June 30, 2015. At year end, the carrying amount of the County's deposits was \$6,740,797 and the respective bank balances totaled \$7,356,226. At June 30, 2015, the County's deposits were fully insured and collateralized according to state law.

4. PROPERTY TAXES

An ad valorem tax is charged each year on each parcel of taxable property and on each taxable vehicle and mobile home located in the County. The tax is assessed to support the State government, County government and County School System. It is based generally on a fixed percentage of the market value multiplied by a millage rate. The market value of the property is determined by the County Board of Assessors and the millage rate is set by the County Commissioners to produce the revenue required to finance the expected expenditures of the County and the School System.

After the taxable value of the property has been established and the millage rate determined, the tax is computed on each property by a private computer service, and a tax bill is prepared for the property owner. The total of these computations, called the tax digest, is submitted to the State of Georgia for approval before the tax bills are mailed to the property owners. These tax bills then become the basis for tax collections and allocations to the State, County and Schools. A list of uncollected taxes is prepared from the bills remaining unpaid at the end of the year.

When taxes are collected, the Tax Commissioner records the cash receipts and allocates the portion collected for the State, County and School System. At periodic intervals, as the tax is collected, remittances are made to the State, County, and School System. During the annual audit a summary of charges and credits is made to determine the amount of tax still due to the State, County and School System and final settlement is made according to the statements.

Taxes are levied on October 1 based upon values fixed at January 1 of the prior year. Taxes are due on December 30 of the tax year.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Adjustments and Additions	Transfers & Disposals	Balance June 30, 2015
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 7,186,103	\$ -	\$ -	\$ 7,186,103
Construction in progress	24,651	1,396	-	26,047
Total	<u>7,210,754</u>	<u>1,396</u>	<u>-</u>	<u>7,212,150</u>
Capital assets being depreciated				
Roads	12,079,441	1,133,098	-	13,212,539
Buildings	25,156,230	13,462	-	25,169,692
Equipment	4,522,912	411,150	(52,985)	4,881,077
Vehicles	4,150,969	404,892	(99,290)	4,456,571
	<u>45,909,552</u>	<u>1,962,602</u>	<u>(152,275)</u>	<u>47,719,879</u>
Less accumulated depreciation for:				
Roads	(1,663,617)	(330,313)	-	(1,993,930)
Buildings	(4,158,887)	(585,809)	-	(4,744,696)
Equipment	(2,977,704)	(370,539)	52,985	(3,295,258)
Vehicles	(3,522,804)	(324,917)	98,690	(3,749,031)
	<u>(12,323,012)</u>	<u>(1,611,578)</u>	<u>151,675</u>	<u>(13,782,915)</u>
Total capital assets being depreciated, net	<u>33,586,540</u>	<u>351,024</u>	<u>(600)</u>	<u>33,936,964</u>
Governmental activities capital assets, net	<u>\$ 40,797,294</u>	<u>\$ 352,420</u>	<u>\$ (600)</u>	<u>\$ 41,149,114</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
General Government	\$ 46,002
Judicial	1,083
Public Safety	670,459
Public Works	492,798
Culture and recreation	376,168
Housing and development	12,089
Health and Welfare	12,979
	<u>\$ 1,611,578</u>

6. LONG-TERM DEBT

The County has stopped accepting solid waste at its landfill. State and federal laws and regulations require the County to perform certain maintenance and monitoring operations at the landfill site for thirty years after official closure. The County has twenty years remaining. The estimated cost of all post closure care activities is \$267,449 and is reflected in the general fund on the government-wide financial statements. Because of future changes in technology, laws, or regulations these costs may change.

Changes in long-term debt were as follows:

	Balance			Balance	Due Within
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>1 year</u>
Compensated absences	\$ 565,478	\$ 37,648	\$ 31,053	\$ 572,073	\$ -
Net pension liability	-	437,128	42,335	394,793	-
Landfill post-closure	245,333	-	22,116	223,217	22,116
	<u>\$ 810,811</u>	<u>\$ 474,776</u>	<u>\$ 95,504</u>	<u>\$ 1,190,083</u>	<u>\$ 22,116</u>

Net Pension Liability was adjusted through a prior period adjustment as disclosed in other footnotes. The beginning balance in the above table includes this adjustment in the Additions Column. The net change was a decrease in the amount of \$131,517. Long-term compensated absences and the pension liability were estimated to be all long term because there is no reliable methodology to predict a current portion.

Long-term liabilities are liquidated by the General Fund.

Heard County Water Authority

The Heard County Water Authority borrowed money from USDA for construction of a waste water treatment plant. Interest is at 4.125%. The loan is payable in 456 monthly installments of \$4,685 with the balance due December 5, 2049. The loan is collateralized by the assets of the Authority. The balance of this loan was \$1,033,808 at June 30, 2015.

As of June 30, 2015, the Water Authority had \$105,459 in sinking funds to repay principal and interest as it becomes due. Debt service to maturity for the long term debt was as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 13,841	\$ 42,385	\$ 56,226
2017	14,423	41,803	56,226
2018	15,029	41,197	56,226
2019	15,661	40,565	56,226
2020	16,287	39,939	56,226
2021-2025	88,752	192,377	281,129
2026-2030	109,043	172,086	281,129
2031-2035	133,973	147,156	281,129
2036-2040	164,603	116,526	281,129
2041-2045	202,235	78,894	281,129
2046-2050	259,961	15,961	275,922
	<u>\$ 1,033,808</u>	<u>\$ 928,889</u>	<u>\$ 1,962,697</u>

Changes in Heard County Water Authority long-term debt were as follows:

	<u>Balance</u>			<u>Amounts Due Within</u>	
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>1 year</u>
USDA WWTP Loan	\$ 1,047,091	\$ -	\$ 13,283	\$ 1,033,808	\$ 13,841
Revenue Bonds	155,000	-	155,000	-	-
	<u>\$ 1,202,091</u>	<u>\$ -</u>	<u>\$ 168,283</u>	<u>\$ 1,033,808</u>	<u>\$ 13,841</u>

7. POST-EMPLOYMENT BENEFITS

The County Defined Benefit Plan

Plan Description- The County's defined benefit pension plan, Heard County Pension Plan (HCPP), provided retirement and disability benefits, and death benefits to plan members and beneficiaries. HCPP is affiliated with the Association County Commissioners of Georgia (ACCG) Defined Benefit Plan, an agent multiple-employer public employee retirement plan administered by Government Employee Benefits Corporation of Georgia. The Plan acts as a common investment and administrative agent for participating counties in Georgia. The Public Retirement Systems Standard Law (OCGA 47-20-10) assigns the authority to establish and amend the plan to the County. ACCG issues a financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to ACCG, 1100 Circle 75 Parkway, Suite 300, Atlanta, GA 30339.

Participation- Under the Plan, all full time County employees are eligible to participate after completing three years of service. Benefits vest after five years of service. Participants may retire at age sixty-five with three years of completed service. There is no maximum entry age. Retirement benefits equal 1% of average compensation to \$6,600, plus 1.5% of average compensation in excess of \$6,600, plus \$36 for each year of service, with total service limited to thirty-five years. Average compensation is based on the

five-year period immediately preceding retirement. Membership in the plan as of June 30, 2015 is as follows:

Terminated participants entitled to but not receiving benefits	28
Retirees and beneficiaries	22
Active employees participating in the plan	37
	<u>87</u>

Funding Policy- HCPP members are required to contribute 5% of their annual covered salary. The County is required to contribute an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the minimum funding standards for state and local governmental pension plans. The County's contributions exceeded the minimum amount. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time to time the contribution rates for the County and its plan participants.

Contributions- The County contributed \$110,412 and employees contributed \$68,535 during the measurement year. The County's contributions totaled 8.9% of covered payroll of \$1,241,177.

Net Pension Liability: The County's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability in the actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of return on investments	7.50% *
Salary increases	4.00%
Cost of living adjustments	0.00%

* net of plan investment expense, including inflation

The long-term expected rate of return on Plan investments was determined using a building block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Target Allocation	Average 20 Year Rate of Return	Weighted 20 Year Rate of Return
Fixed Income	30.00%	8.80%	2.64%
Large Cap Equities	30.00%	5.75%	1.73%
Mid Cap Equities	5.00%	5.44%	0.82%
Small Cap Equities	5.00%	5.48%	0.27%
REIT	5.00%	9.91%	0.50%
International	15.00%	8.96%	0.45%
Multi Cap	5.00%	8.89%	0.44%
Global Allocation	5.00%	11.83%	0.59%

Discount Rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employer will be made at the current contractually required rates, actuarially determined.

Changes in Net Pension Liability: Changes in the Town's net pension liability for the year ended June 30, 2015 were as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances--Beginning 6-30-14	\$ 3,009,895	\$ 2,572,767	\$ 437,128
Changes for the Year:			
Service cost	72,288	-	72,288
Interest expense	221,726	-	221,726
Experience losses (gains)	-	-	-
Contributions--employer	-	110,412	(110,412)
Contributions--employee	-	68,107	(68,107)
Net investment income	-	186,576	(186,576)
Benefit payments	(107,099)	(107,099)	-
Plan administrative expenses	-	(8,826)	8,826
Other changes	-	(19,920)	19,920
Net Changes	186,915	229,250	(42,335)
Balances--Ending 6-30-15	\$ 3,196,810	\$ 2,802,017	\$ 394,793

Sensitivity of the Net Pension Liability to Changes in the discount Rate: The following presents the net pension liability calculated using the discount rate of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher than the current rate.

	Discount Rate	Net Pension Liability
1% Increase	8.50%	\$ 45,055
Current Discount Rate	7.50%	\$ 394,793
1% Decrease	6.50%	\$ 806,541

Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued Plan financial report.

Pension Expense, Deferred Outflows of Financial resources- For the year ended June 30, 2015, the County recognized pension expense of \$131,517. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from contributions made after the measurement date in the amount of \$110,412. These will be recognized in pension expense in 2016.

8. LITIGATION

The County's attorney advises that no legal actions were in progress by or against the County at June 30, 2015 that would have any material effect on the County's financial condition.

9. COMMITMENTS AND CONTINGENCIES

The County is subject to routine audits by Grantor agencies. These audits could result in certain costs being disallowed. To the extent that such disallowances involve expenditures under subcontracted arrangements, the County generally has the right of recovery from such third parties. Management believes that any costs disallowed by grantor reviews or review of sub recipient audits would not be material to these financial statements, and no provision has been made for these items.

10. RISK MANAGEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which establishes standard accounting and financial reporting practices for public entity risk pools and governmental entities. The following disclosures are offered in accordance with GASB 10.

The County is exposed to various forms of risk of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with local governments in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

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

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers compensation law of Georgia. The funds are to pay all cost 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.

Settled claims have not exceeded commercial coverage in any of the past three years.

11. JOINT VENTURE

Under Georgia law, the County, in conjunction with the municipalities and county governments in a thirteen county area, is a member in the Three Rivers Regional Commission (RC) and is required to pay dues thereto. During the year ended June 30, 2015, the County paid \$9,831 in such dues. Membership in the RC is required under O.C.G.A. Section 50-8-34. The RC governing Board included the chief elected official of each county included in the RDC area. Member governments are liable for any debts or obligations incurred by the RC. Separate RC financial statements may be obtained from:

Three Rivers Regional Commission
PO Box 1600
Franklin, GA 30217

12. SPECIAL PURPOSE LOCAL OPTION SALES TAX

The County had two Special Purpose Local Option Tax issues outstanding as of June 30, 2015. The 2002 SPLOST has been completed.

Summaries of receipts and expenditures of these issues were as follows:

	Original	Current	Prior	Current	
	<u>Estimated</u>	<u>Estimated</u>	<u>Years</u>	<u>Year</u>	<u>Total</u>
2007 SPLOST					
Expenditures for:					
Road projects	\$ 6,000,000	\$ 6,000,000	\$ 5,114,068	\$ -	\$ 5,114,068
Recreation complex	12,000,000	12,786,625	12,786,625	-	12,786,625
EMA Headquarters	1,750,000	3,441,449	3,470,537	-	3,470,537
Roosterville fire station	1,500,000	1,500,000	1,077,220	-	1,077,220
Sheriff equipment	550,000	550,000	347,991	-	347,991
WARRS comm. equipment	1,000,000	1,000,000	40,000	-	40,000
911 center	750,000	1,019,123	1,019,123	-	1,019,123
Codes enforcement equip.	125,000	125,000	-	-	-
Courthouse renovation	600,000	600,000	239,843	-	239,843
Administration building annex	4,435,000	4,435,000	-	-	-
City of Franklin	2,690,000	2,690,000	2,991,186	-	2,991,186
City of Centralhatchee	1,495,000	1,495,000	1,711,557	-	1,711,557
City of Ephesus	1,495,000	1,495,000	1,711,557	-	1,711,557
Water projects	3,280,000	3,280,000	2,732,858	-	2,732,858
	<u>\$ 37,670,000</u>	<u>\$ 40,417,197</u>	<u>\$ 33,242,565</u>	<u>\$ -</u>	<u>\$ 33,242,565</u>

	Original	Current	Prior	Current	
	<u>Estimated</u>	<u>Estimated</u>	<u>Years</u>	<u>Year</u>	<u>Total</u>
2013 SPLOST					
Expenditures for:					
Administrative projects	\$ 4,380,000	\$ 4,380,000	\$ 99,582	\$ 35,877	\$ 135,459
Animal control projects	350,000	350,000	-	1,308	1,308
Cooperative extension facility	200,000	200,000	-	112,554	112,554
Fire-EMS projects	2,679,000	2,679,000	33,211	396,319	429,530
Old Jail facility	100,000	100,000	-	-	-
Parks and recreation projects	370,000	370,000	33,267	10,759	44,026
Roads and bridges	8,625,000	8,625,000	1,028,994	1,328,763	2,357,757
Solid waste improvements	101,000	101,000	-	-	-
Sheriff Department projects	805,000	805,000	55,378	41,529	96,907
City of Franklin	-	2,790,000	381,748	381,648	763,396
City of Centralhatchee	-	1,550,000	212,083	212,027	424,110
City of Ephesus	-	1,550,000	212,083	212,027	424,110
Water projects	7,500,000	7,500,000	-	-	-
	<u>\$ 25,110,000</u>	<u>\$ 31,000,000</u>	<u>\$ 2,056,346</u>	<u>\$ 2,732,811</u>	<u>\$ 4,789,157</u>

13. PRIOR PERIOD ADJUSTMENT

The County adopted GASB 68 for Pension Plans during the year ended June 30, 2015. The Statement requires recording beginning net pension liabilities, deferred outflows, deferred inflows and restating beginning net assets as a prior period adjustment. Accordingly, the beginning balances were recorded as a reduction to net position in the amount of \$477,683.

HEARD COUNTY, GEORGIA
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2015

	Budgeted Amounts		Actual
	Original	Final	
Revenues			
Taxes	\$ 9,665,224	\$ 9,665,224	\$ 8,965,485
Charges for Services	816,000	816,000	802,686
Licenses and Permits	97,025	97,025	107,529
Fines and Forfeitures	89,000	89,000	154,766
Intergovernmental	295,000	295,000	291,014
Interest	-	-	940
Other	293,200	293,200	210,610
Total Revenues	11,255,449	11,255,449	10,533,030
Expenditures			
Current			
General government	1,870,050	1,870,050	1,608,121
Judicial	999,523	999,523	973,600
Public safety	6,166,716	6,166,716	5,805,578
Public works	1,535,116	1,535,116	1,079,929
Culture and recreation	767,549	767,549	627,891
Housing and development	326,686	326,686	283,210
Health and welfare	1,169,616	1,169,616	1,011,049
Debt service	-	-	-
Total Expenditures	12,835,256	12,835,256	11,389,378
Net Change in Fund Balances	(1,579,807)	(1,579,807)	(856,348)
Fund Balances (Deficit) at Beginning	2,101,723	2,101,723	2,101,723
Fund Balances at End of Year	\$ 521,916	\$ 521,916	\$ 1,245,375

HEARD COUNTY, GEORGIA
Pension Plan
Schedule of changes in Net pension Liability and Related Ratios
Ten Fiscal Years Ended

	2015
Total Pension Liability	
Service cost	\$ 72,288
Interest	225,742
Diff. expected and actual	-
Changes in assumptions	-
Benefit payments	<u>(111,115)</u>
Net change	186,915
Total liability beginning	<u>3,009,895</u>
Total liability ending	<u>\$ 3,196,810</u>
 Plan Fiduciary Net Position	
Contributions-Employer	\$ 110,412
Contributions-Employees	68,535
Net investment income	186,576
Benefit payments	(107,099)
Contribution refunds	(428)
Other	(19,920)
Administrative expense	<u>(8,826)</u>
Net change	229,250
Fiduciary net position beginning	<u>2,572,767</u>
Fiduciary net position ending	<u>\$ 2,802,017</u>
 Net pension liability ending	 <u>\$ 394,793</u>
Plan fiduciary net position as a percentage of total pension liability	87.65%
Covered employee payroll	\$ 1,241,177
Plan fiduciary net position as a percentage of covered payroll	31.81%

(Historical information prior to implementation of GASB 67/68 is not required)

HEARD COUNTY, GEORGIA
Schedule of Contributions

2015

Actuarially determined contribution	*
Contributions in relation to the actuarially determined contribution	*
Contribution deficiency (excess)	*
Covered employee payroll	*
Contributions as a percentage of covered employee payroll	*

(Historical information prior to implementation of GASB 67/68 is not required)

* 2015 information was not determined as of the report date and will be included in the 2016 valuation report.

HEARD COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For Year Ended June 30, 2015

Budgetary Accounting

The County budgets its operations on an annual basis for the General Fund. The proposed budget is prepared each year by the County Commission. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Heard County. The final proposed budget is presented at a County Commission meeting for final passage prior to June 30. The final budget is adopted at public meeting.

The County prepares its budget on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – presents a comparison of budgetary data to actual results of operations for which annual operating budgets are legally adopted. Revenues are budgeted by source and expenditures are budgeted by department and class as follows: General government, Public Safety, Public works, Culture and Recreation, Housing and Development, and Health and Welfare. This constitutes the legal level of control. General Fund expenditures for capital outlay are budgeted with the respective departments rather than being separately reported. Expenditures may not exceed appropriations at this level except for matching funds required by grantors. All budget revisions at this level are subject to final review by the Commission. Within these control levels, management may transfer appropriations without Commission approval, with the exception of salary amounts.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds. There were no outstanding encumbrances at year-end.

Valuation Date

The valuation date used in the Schedule of Contributions is as of January 1 one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions to Determine Contribution Rates

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3%
Salary increases	4.0% average, including inflation
Investment rate of return	7.50%, Net of Plan investment expense, including inflation

Mortality

In the 2015 actuarial valuation, assumed expectancies were adjusted as a result of adopting the RP-2000 Healthy Annuitant Mortality Table with sex-distinct rates

Changes in Assumptions

There were no changes to assumptions during this reporting period.

Benefit Changes

There were no changes to assumptions during this reporting period.

HEARD COUNTY, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue			
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	Inmate Welfare Fund
ASSETS				
Cash and Cash Equivalents	\$ 143,588	\$ 1,094	\$ 36,297	\$ 9,438
Due from other funds	-	-	-	-
Loan receivable	-	-	-	-
Total Assets	143,588	1,094	36,297	9,438
LIABILITIES				
Accounts payable	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted for public safety	-	1,094	-	9,438
Restricted for public welfare	-	-	36,297	-
Restricted for loans	143,588	-	-	-
Restricted for capital projects	-	-	-	-
Total Fund Balances	143,588	1,094	36,297	9,438
Total Liabilities and Fund Balances	\$ 143,588	\$ 1,094	\$ 36,297	\$ 9,438

HEARD COUNTY, GEORGIA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Seized Assets	Special Revenue Law Library Fund	2007 SPLOST	Total Other Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 144,242	\$ 22,660	\$ 1,296	\$ 358,615
Due from other funds	-	-	-	-
	-	-	-	-
Total Assets	144,242	22,660	1,296	358,615
LIABILITIES				
Accounts payable	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Restricted for public safety	144,242	22,660	-	177,434
Restricted for public welfare	-	-	-	36,297
Restricted for loans	-	-	-	143,588
Restricted for capital projects	-	-	1,296	1,296
Total Fund Balances	144,242	22,660	1,296	358,615
Total Liabilities and Fund Balances	\$ 144,242	\$ 22,660	\$ 1,296	\$ 358,615

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2015

	Special Revenue			
	Revolving Loan Fund	Jail Fund	Drug Abuse Treatment Fund	Inmate Welfare Fund
Revenues				
Fines	\$ -	\$ 13,578	\$ 13,846	\$ -
Tax	-	-	-	-
Intergovernmental	-	-	-	-
Other income	-	13,524	-	30,037
Investment income	253	4	-	-
Total Revenues	253	27,106	13,846	30,037
Expenditures				
Administration	34	-	-	-
Public safety	-	26,577	-	33,991
Public Welfare	-	-	1,605	-
Capital outlay	-	-	-	-
Total Expenditures	34	26,577	1,605	33,991
Excess (deficiency) of Revenues Over (Under) Expenditures	219	529	12,241	(3,954)
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Net Change in Fund Balances	219	529	12,241	(3,954)
Fund Balances (Deficit) at Beginning	143,369	565	24,056	13,392
Fund Balances at End of Year	\$ 143,588	\$ 1,094	\$ 36,297	\$ 9,438

HEARD COUNTY, GEORGIA
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Governmental Funds
For The Year Ended June 30, 2015

	Special Revenue			Total Other Governmental Funds
	Seized Assets	Law Library Fund	2007 SPLOST	
Revenues				
Fines	\$ 79,356	\$ 2,922	\$ -	\$ 109,702
Tax	-	-	-	-
Intergovernmental	-	-	-	-
Other income	-	-	-	43,561
Investment income	-	-	6	263
				-
Total Revenues	79,356	2,922	6	153,526
				-
Expenditures				
Administration	-	-	-	34
Public safety	-	2,551	-	63,119
Public Welfare	-	-	-	1,605
Capital outlay	21,724	-	-	21,724
				-
Total Expenditures	21,724	2,551	-	86,482
Excess (deficiency) of Revenues Over (Under) Expenditures	57,632	371	6	67,044
Other Financing Sources (Uses)				-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
				-
Net Change in Fund Balances	57,632	371	6	67,044
				-
Fund Balances (Deficit) at Beginning	86,610	22,289	1,290	291,571
				-
Fund Balances at End of Year	\$ 144,242	\$ 22,660	\$ 1,296	\$ 358,615

HEARD COUNTY, GEORGIA
Schedule of State Awards Expended
For the Year Ended June 30, 2015

State Program Name	Contract Number	State Received	Federal Revenue	Total Expenditures
DHR HCCP	42700-93-151500069	45,000	-	47,482
DHR Sr. Center	04-074-14	12,141	53,631	374,276
		<u>\$ 57,141</u>	<u>\$ 53,631</u>	<u>\$ 421,758</u>

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**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**

To the Board of Commissioners
Heard County, Georgia

I 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 aggregate discretely presented component units, each major fund, and the remaining aggregate fund information of Heard, County, Georgia as of and for the year ended June 30, 2015 and the related notes to financial statements, which collectively comprise Heard, County, Georgia's basic financial statements and have issued my report thereon dated January 3, 2016. My report includes a reference to other auditors who audited the financial statements of the Heard County Health Department, the Heard County Development Authority, and the Heard County Water Authority, as described in my report on Heard 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 my audit of the financial statements, I considered Heard County, Georgia's internal control over financial reporting 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 Heard County, Georgia's internal control. Accordingly, I do not express an opinion on the effectiveness of Heard County, Georgia's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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 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. I consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: 15-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heard County, Georgia's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Heard County, Georgia's Response to Findings

Heard County, Georgia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Heard County, Georgia's responses and, accordingly, I express no opinion on it.

Purpose of This Report

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

Kim Kimmel CPA

Richland, Georgia
January 3, 2016

HEARD COUNTY, GEORGIA
Schedule of Findings and Responses
Year Ended Jun 30, 2015

Deficiency

15-1 Segregation of Duties

Condition: During my audit I noted that some transactions are processed from start to end by one individual.

Criteria: All transactions should require two or more individuals to initiate, summarize, post, and reconcile.

Effect: The potential exists for unauthorized transactions to be initiated and not discovered.

Response: The County agrees with the finding and acknowledges the risk involved, but does not have the resources to provide for proper segregation of duties in all areas, at this time.