

MCINTOSH COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

MCINTOSH COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of McIntosh County, Georgia
Darien, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of **McIntosh County, Georgia (the "County")**, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise McIntosh 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 McIntosh County Health Department, which represents 100% of the assets, net position, and revenues of the discretely presented component unit. 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 McIntosh County Health Department, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of McIntosh County, Georgia as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons 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) and the Schedule of Changes in the County's Net Pension Liability and Related Ratios (on page 57), the Schedule of County Contributions (on page 58), and the Schedule of Proportionate Share of Net Pension Liability and the Schedule of Contributions (on page 59) 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 McIntosh County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2017, on our consideration of McIntosh County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McIntosh County, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
March 13, 2017

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

As County Manager of McIntosh County, Georgia, I offer readers of the County's financial statements this narrative overview and analysis of the financial activities of McIntosh County for the year ended September 30, 2016. This discussion is intended to help provide a comprehensive understanding of the financial performance and condition of McIntosh County taken as a whole. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and the notes to the financial statements.

Fiscal Year 2016 is the twelfth year McIntosh County has prepared its annual report in compliance with the financial reporting model, GASB 34. This reporting model is a combination of both Government-Wide Financial Statements and Fund Financial Statements. As such, our basic financial statements contain three components:

- 1) Government-Wide Financial Statements including the Statement of Net Position and the Statement of Activities. These statements provide a broad, long-term overview of the County's finances based upon the driving factors of economic resources available.
- 2) Fund Financial Statements including Balance Sheets and Statements of Revenues, Expenditures and Changes in Fund Balance. These statements focus more on the short-term performance of the County's finances based upon the current financial resources available.
- 3) Notes to the financial statements.

The discussion and analysis will assist the reader by highlighting and summarizing in general terms the basic financial information contained within the annual report.

Financial Highlights

Key Financial Highlights for fiscal year 2016 are as follows:

Government-Wide Financial Statements:

- At September 30, 2016, McIntosh County's assets exceeded its liabilities by \$28,269,531 (net position).
- The County's \$20,180,644 net investment in capital assets leaves the County with \$8,088,887 in net position of which \$3,167,914 is restricted.
- McIntosh County's total net position increased from \$24,038,001 in the prior year to \$28,269,531 in the current year, for a total increase of \$4,231,530, or 18%.
- McIntosh County's revenues for fiscal year 2016 totaled \$21,307,797. Of this amount, 22% are property tax revenues, 10% are sales tax revenues, 3% are other tax revenues, 32% are charges for services, 24% relates to the sale of timberland, and the remaining 9% are other revenues. This is a 27% increase over fiscal year 2015 revenues.

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

- McIntosh County's total program expenses for fiscal year 2016 totaled \$17,076,267. Of this amount, 46% are public safety expenses, 14% are general governmental expenses, 8% are judicial expenses, 11% are public works expenses, 9% are solid waste, and the remaining 20% are other expenses. This is a 1.5% decrease over fiscal year 2015 expenses.

Governmental Funds Financial Statements:

- McIntosh County's Governmental Funds recorded total assets of \$11,164,938 for fiscal year ended September 30, 2016. This amount is over the total governmental funds liabilities and deferred inflow of resources by \$10,132,188 (fund balance).
- Total governmental fund's fund balances for fiscal year ended September 30, 2016 increased by \$5,308,502 from the previous year. This increase was a result of a \$4,648,107 increase in the General Fund (primarily due the sale of a large tract of timberland in the amount of \$5,035,000), \$166,775 increase in the Sales Tax 2010 Fund, and a \$493,620 increase in Other Governmental Funds,.
- Total governmental fund balance of \$10,132,188 consists of \$953,757 nonspendable, \$3,018,536 restricted, \$81,732 committed, and \$6,078,163 unassigned.
- Due to total revenues for the General Fund exceeding budgeted amounts by \$102,486, or approximately 1%, total expenditures for the General Fund being under budget by \$464,133, or approximately 4%, and the sale of assets McIntosh County experienced an increase in fund balance of approximately 41% of the budget.

Overview of the Financial Statements

The reporting model for the government-wide financial statements is designed to provide readers with a broad overview of the County's financial performance over the past year and the resulting condition thereof. The statements resemble those of private sector business by taking on an "economic resource" approach as opposed to a "current resource" approach traditionally found in fund financial statements. Additionally, this management's discussion and analysis helps highlight and emphasize in plain language, the events that have occurred over the past year to bring about the current financial condition of the County. I encourage readers to review all of the basic financial statements, along with the MD&A and supplementary information in order to fully understand the overall financial position of McIntosh County, Georgia.

Reporting on the County as a Whole

The model of financial reporting, which includes the statement of net position and the statement of activities beginning on page 12, helps readers identify whether or not the County as a whole is in better condition as a result of the events that have taken place over the past year. These statements capture all assets and liabilities using the *accrual basis of accounting*. This format of accounting resembles that used by most private-sector companies by recording all of the current year's revenues and expenses regardless of when cash is received or paid.

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

In the statement of net position and statement of activities, the County is presented in three distinct activities:

- **Governmental Activities** – This section reports most of the familiar governmental services: general government, judicial, public safety, public works, health and welfare, culture and recreation, housing and development, and interest on long-term debt. The majority of funding for these programs comes from property taxes, sales tax, charges for services and fines and forfeitures.
- **Business-type Activities** – This section reports activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing authority is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing authority has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. For purposes of this paragraph, the term "costs" means expenses, including depreciation.
- **Component units** – There is one component unit included in the report related to McIntosh County Health Department. Although this unit is a legally separate entity, it is important because the County has a significant financial interest in this unit.

Reporting on the County's Most Significant Funds

The fund financial statements beginning on page 15 provide a more detailed look at the County's most significant funds – not the County as a whole. While some funds are required by state law, others are established by the Board of Commissioners to help control budgets and financing for specific purposes. The County maintains three categories of funds: governmental, proprietary and fiduciary.

- **Governmental funds** - As you might expect, most of the familiar governmental services (general government, judiciary, public safety, public works, health and welfare, culture and recreation, housing and development, and interest on long-term debt) are captured and reported in governmental funds. These funds use a method of accounting called the modified accrual approach. This method of accounting measures cash and other financial assets that can be readily converted into cash. The governmental funds provide a short-term view of the County's general government operations and services, and help determine the amount of financial resources that are available in the near future to fund County programs. On page 17 is the reconciliation between the statement of revenues, expenditures and changes in fund balances of governmental funds and the statement of activities.
- **Proprietary funds** - The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Water Fund and Solid Waste Fund. The accounting method used for these funds is much like that used for a business, the *full accrual* method.

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

- Fiduciary funds - These funds are established to report on assets being held by the County for the benefit of parties outside the County. Although these funds are presented in the fund financial statements, they do not appear in the government-wide statements because the resources of these funds are not available to support the programs of McIntosh County, Georgia. The accounting method used for these funds is much like that used for proprietary funds, the *full accrual* method.

McIntosh County Government-Wide Financial Analysis

The following table presents a summary of the statement of net position for the County as of September 30, 2016 and 2015.

Table 1
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current & other assets	\$ 10,835,381	\$ 5,837,447	\$ 169,430	\$ 386,440	\$ 11,004,811	\$ 6,223,887
Capital assets	14,982,019	15,777,255	12,273,702	11,959,612	27,255,721	27,736,867
Total assets	25,817,400	21,614,702	12,443,132	12,346,052	38,260,532	33,960,754
Deferred outflow s of resources	681,186	342,708	20,964	14,982	702,150	357,690
Long-term liabilities	1,797,796	1,428,450	8,060,459	8,152,995	9,858,255	9,581,445
Other liabilities	605,448	622,327	229,448	76,671	834,896	698,998
Total liabilities	2,403,244	2,050,777	8,289,907	8,229,666	10,693,151	10,280,443
Net position:						
Net investment in capital assets	14,426,519	15,461,340	5,754,125	5,352,740	20,180,644	20,814,080
Restricted	3,018,536	2,723,352	149,378	149,236	3,167,914	2,872,588
Unrestricted (deficit)	6,650,287	1,721,941	(1,729,314)	(1,370,608)	4,920,973	351,333
Total net position	\$ 24,095,342	\$ 19,906,633	\$ 4,174,189	\$ 4,131,368	\$ 28,269,531	\$ 24,038,001

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$28,269,531 at the close of the most recent fiscal year.

By far the largest portion of the County's net position (71%) reflects its net investment in capital assets (e.g., land, building machinery, and equipment). 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.

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

An additional portion of the County's net position (11%) represents resources that are subject to external restrictions on how they can be used. The remaining balance of net position (amounting to \$4,920,973) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The following table summarizes the changes in net position for the primary government for the fiscal years ended September 30, 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,062,043	\$ 3,539,348	\$ 1,706,673	\$ 1,868,611	\$ 6,768,716	\$ 5,407,959
Operating grants	827,956	1,346,679	-	-	827,956	1,346,679
Capital grants	456,700	1,251,065	-	-	456,700	1,251,065
General revenues:						
Property taxes	4,738,002	5,139,697	-	-	4,738,002	5,139,697
Sales taxes	2,082,529	2,204,378	-	-	2,082,529	2,204,378
Business taxes	700,929	647,972	-	-	700,929	647,972
Other taxes	688,485	765,971	-	-	688,485	765,971
Unrestricted investment earnings	5,246	3,808	4,233	1,038	9,479	4,846
Gain of sale of assets	5,035,000	11,500	-	-	5,035,000	11,500
Total revenues	19,596,890	14,910,418	1,710,906	1,869,649	21,307,796	16,780,067
Program expenses:						
General government	2,366,734	2,498,458	-	-	2,366,734	2,498,458
Judicial	1,298,345	1,333,208	-	-	1,298,345	1,333,208
Public safety	7,844,713	8,098,187	-	-	7,844,713	8,098,187
Public works	1,832,399	1,071,222	-	-	1,832,399	1,071,222
Health & welfare	144,814	164,732	-	-	144,814	164,732
Culture & recreation	749,384	1,322,067	-	-	749,384	1,322,067
Housing & development	494,838	821,588	-	-	494,838	821,588
Interest	10,054	9,766			10,054	9,766
Water	-	-	760,250	660,069	760,250	660,069
Solid waste	-	-	1,574,735	1,362,220	1,574,735	1,362,220
Total expenses	14,741,281	15,319,228	2,334,985	2,022,289	17,076,266	17,341,517
Excess (deficiency)	4,855,609	(408,810)	(624,079)	(152,640)	4,231,530	(561,450)
Transfers	(666,900)	(677,664)	666,900	677,664	-	-
Changes in net position	4,188,709	(1,086,474)	42,821	525,024	4,231,530	(561,450)
Net position - beg. of year	19,906,633	20,993,107	4,131,368	3,606,344	24,038,001	24,599,451
Net position - end of year	\$ 24,095,342	\$ 19,906,633	\$ 4,174,189	\$ 4,131,368	\$ 28,269,531	\$ 24,038,001

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Excluding transfers, total revenues for governmental activities exceeded total expenses by \$4,855,609. By review of Table 2, it is apparent that the bulk of revenues supporting governmental activities are attributable to charges for services, \$5,062,043 or 26%, and property taxes of \$4,738,002 or 24%. As noted previously, the County also sold a large tract of timberland that resulted in a gain of \$5,035,000 or 26%.

Additionally, Table 2 illustrates the bulk of governmental activities expense being reported within the program of public safety at \$7,844,714 or 53%, with the second largest expense attributable to general government, reporting expenses of \$2,366,734 or 16%.

Governmental Activities

The current reporting model provides users with an understanding of how governmental activities are fully supported. Table 3 will help illustrate how these programs fall short of supporting themselves and must therefore rely on general revenues such as property tax, sales tax, fines and grants. The table lists the total cost of each program, and the final net cost (total cost less revenues generated by the program).

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
General government	\$ 2,366,734	\$ 2,498,458	\$ 1,314,667	\$ 2,144,499
Judicial	1,298,345	1,333,208	1,298,345	1,333,208
Public safety	7,844,713	8,098,187	3,452,279	4,587,109
Public works	1,832,399	1,071,222	1,375,898	(414,326)
Health & welfare	144,814	164,732	42,089	58,813
Culture & recreation	749,384	1,322,067	721,016	1,262,288
Housing & development	494,838	821,588	180,234	200,779
Interest on long-term debt	10,054	9,766	10,054	9,766
Totals	<u>\$ 14,741,281</u>	<u>\$ 15,319,228</u>	<u>\$ 8,394,582</u>	<u>\$ 9,182,136</u>

As noted in the above table, governmental programs fell \$8,394,583 short of supporting themselves through direct revenues attributable to those programs. As a result, citizens support these programs through payment of property taxes, sales, and other taxes.

While the County was able to support its Governmental Activities, it should be noted that a few significant factors affected total revenues for the year ended September 30, 2016.

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

The County's Major Governmental Funds

At the end of fiscal year 2016, the County reported its governmental funds (as presented in the balance sheet on page 15) having a combined fund balance of \$10,132,188. This balance increased by \$5,308,502 from prior year's balance. The statement of revenues, expenditures and changes in fund balances presented on page 16 reports a positive net changes of: \$4,648,107 in the General Fund; \$166,775 in the Sales Tax 2010 Fund; and, \$493,620 in the Other Governmental Funds.

McIntosh County's total governmental fund balance of \$10,132,188 is divided into four categories: nonspendable of \$953,757; restricted of \$3,018,536; and committed of \$81,732. The unassigned fund balance is \$6,078,163 that is available for use to meet current ongoing obligations of the County.

Revenues for the General Fund totaled \$11,423,581, or approximately 78% of total governmental revenues reported in the statement of revenues, expenditures and changes in fund balances presented on page 16. Of this amount, \$4,751,379 or 42% was collected through property taxes, with second largest source of revenues reported in the line item of fines and forfeitures, \$2,584,260 or 23%.

Expenditures for the General Fund totaled \$11,718,735 (not including Other Financing Uses). Expenditures exceeded revenues by \$295,154.

Expenditures for the Sales Tax 2010 Fund totaled \$1,345,741 for projects being funded through Special Purpose Local Option Sales Tax revenues.

General Fund Budgetary Highlights

Total revenues in the General Fund exceeded budgeted amounts by \$102,486, or approximately 1%. This final result is a combination of both positive and negative variance as reported on the General Fund Budgetary Comparison Schedule presented on pages 18 and 19. The largest positive variance, \$437,832 is reported in the line item of fines and forfeitures.

General Fund expenditures (not including other financing sources) for the year ended September 30, 2016 were under budget by \$464,133, or approximately 4%.

Capital Asset and Debt Administration

McIntosh County's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$27,255,721 (net of accumulated depreciation). This is a decrease of \$481,146 from last year. The decrease is mostly due depreciation of capital assets in excess of the current year layer of additions relative to the purchase of land and construction in progress of various projects. Table 4 is summary data of capital assets.

MCINTOSH COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Table 4
Capital Assets (Net of Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 841,042	\$ 214,793	\$ 1,055,835
Construction in progress	138,957	-	138,957
Buildings	7,413,200	108,817	7,522,017
Machinery and equipment	2,435,916	833,124	3,269,040
Infrastructure	4,152,904	-	4,152,904
Water system	-	11,007,452	11,007,452
Landfill	-	109,516	109,516
Totals	<u>\$ 14,982,019</u>	<u>\$ 12,273,702</u>	<u>\$ 27,255,721</u>

It should be noted that the majority of the capital assets in McIntosh County have been obtained through the use of Special Purpose Local Option Sales Tax (SPLOST). Currently, the County is approximately 98% complete with the 2005 SPLOST program. McIntosh County started the SPLOST 2010 program in FY 2011. More detail on the County's capital assets can be found on pages 38 and 39.

At year end, the County had a total \$10,240,799 in outstanding long-term liabilities which includes \$1,587,521 in closure and post closure care costs for the McIntosh County Landfill Fund, \$6,519,577 in revenue bonds payable and the remaining balance being capital leases, net pension liabilities, and compensated absences. More information regarding the County's Long-Term Debt can be found in Note 7 on pages 40-43.

Other Economic Factors

The Board of Commissioners and County Manager have considered several factors when establishing FY17 budget, including the overall economic issues affecting the entire County as a result in decreased SPLOST and LOST revenues, and steep decline in the County's Tax Digest Values.

Finally, the Board in conjunction with the County Manager and Finance Department will continue to develop various financial policies to help govern the way McIntosh County does business. These policies will include standards to track funds balances on a monthly basis compared to budget. Furthermore, standards will be implemented to ensure appropriate procurement procedures are followed and adherence to budget is achieved.

Contacting the County's Financial Management

This Annual Financial Report is designed to help citizens, taxpayers, customers, investors and creditors evaluate the overall condition of McIntosh County, Georgia and the operations thereof. Additional details can be requested by mail at the following address: McIntosh County Board of Commissioners, P.O. Box 584, Darien, Georgia 31305.

MCINTOSH COUNTY, GEORGIA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Board of Health
Cash and cash equivalents	\$ 8,396,924	\$ 714,011	\$ 9,110,935	\$ 143,875
Taxes receivable	415,800	-	415,800	-
Accounts receivable	145,692	173,181	318,873	19,301
Internal balances	717,762	(717,762)	-	-
Due from other governments	888,449	-	888,449	46,003
Prepaid expenses	270,754	-	270,754	-
Capital assets, non-depreciable	979,999	214,793	1,194,792	-
Capital assets, depreciable, net of accumulated depreciation	14,002,020	12,058,909	26,060,929	5,880
Total assets	25,817,400	12,443,132	38,260,532	215,059
DEFERRED OUTFLOWS OF RESOURCES				
Net difference between projected and actual earnings on pension plan investments	212,606	6,543	219,149	-
Differences between expected and actual experience of economic/demographic (gains)/losses	32,189	990	33,179	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	3,167
Differences in assumption changes	133,363	4,105	137,468	-
Employer contributions subsequent to the measurement date	303,028	9,326	312,354	45,172
Total deferred outflows of resources	681,186	20,964	702,150	48,339
LIABILITIES				
Accounts and retainage payable	154,008	89,801	243,809	2,567
Accrued liabilities	120,915	15,406	136,321	-
Due to other governments	46,787	-	46,787	15,387
Customer deposits	-	25,435	25,435	-
Capital leases due within one year	173,132	-	173,132	-
Capital leases due in more than one year	369,880	-	369,880	-
Note payable due in less than one year	11,707	-	11,707	-
Note payable due in more than one year	12,488	-	12,488	-
Bond payable due within one year	-	91,314	91,314	-
Bond payable due in more than one year	-	6,428,263	6,428,263	-
Compensated absences due within one year	98,899	7,492	106,391	4,708
Compensated absences due in more than one year	24,724	1,874	26,598	18,830
Closure and postclosure care cost	-	1,587,521	1,587,521	-
Net pension liability	1,390,704	42,801	1,433,505	313,291
Total liabilities	2,403,244	8,289,907	10,693,151	354,783
DEFERRED INFLOWS OF RESOURCES				
Net difference between projected and actual earnings on pension plan investments	-	-	-	25,750
Total deferred outflows of resources	-	-	-	25,750
NET POSITION				
Net investment in capital assets	14,426,519	5,754,125	20,180,644	5,880
Restricted for:				
Judicial	527,344	-	527,344	-
Public safety	837,168	-	837,168	-
Economic development	62,764	-	62,764	-
Capital outlay	1,456,140	-	1,456,140	-
Tourism	135,120	-	135,120	-
Special use	-	-	-	103,000
Debt service	-	149,378	149,378	-
Unrestricted (deficit)	6,650,287	(1,729,314)	4,920,973	(226,015)
Total net position (deficit)	\$ 24,095,342	\$ 4,174,189	\$ 28,269,531	\$ (117,135)

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,366,734	\$ 1,051,956	\$ -	\$ 111
Judicial	1,298,345	-	-	-
Public safety	7,844,713	3,992,800	399,557	77
Public works	1,832,399	-	-	456,501
Health and welfare	144,814	-	102,725	-
Culture and recreation	749,384	17,287	11,070	11
Housing and development	494,838	-	314,604	-
Interest on long-term debt	10,054	-	-	-
Total governmental activities	14,741,281	5,062,043	827,956	456,700
Business-type activities:				
Water	760,250	699,729	-	-
Solid waste	1,574,735	1,006,944	-	-
Total business-type activities	2,334,985	1,706,673	-	-
Total primary government	\$ 17,076,266	\$ 6,768,716	\$ 827,956	\$ 456,700
Component unit:				
Board of Health	\$ 365,453	\$ 126,693	\$ 226,310	\$ -
Total component unit	\$ 365,453	\$ 126,693	\$ 226,310	\$ -
General revenues:				
Property taxes				
Sales taxes				
Business taxes				
Other taxes				
Unrestricted investment earnings				
Other revenue				
Gain on sale of assets				
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	Primary Government Business-type Activities	Total	Component Unit Board of Health
\$ (1,314,667)	\$ -	\$ (1,314,667)	\$ -
(1,298,345)	-	(1,298,345)	-
(3,452,279)	-	(3,452,279)	-
(1,375,898)	-	(1,375,898)	-
(42,089)	-	(42,089)	-
(721,016)	-	(721,016)	-
(180,234)	-	(180,234)	-
(10,054)	-	(10,054)	-
<u>(8,394,582)</u>	<u>-</u>	<u>(8,394,582)</u>	<u>-</u>
-	(60,521)	(60,521)	-
-	(567,791)	(567,791)	-
-	(628,312)	(628,312)	-
<u>\$ (8,394,582)</u>	<u>\$ (628,312)</u>	<u>\$ (9,022,894)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (12,450)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,450)</u>
\$ 4,738,002	\$ -	\$ 4,738,002	\$ -
2,082,529	-	2,082,529	-
700,929	-	700,929	-
688,485	-	688,485	-
5,246	4,233	9,479	-
-	-	-	83,384
5,035,000	-	5,035,000	-
(666,900)	666,900	-	-
<u>12,583,291</u>	<u>671,133</u>	<u>13,254,424</u>	<u>83,384</u>
4,188,709	42,821	4,231,530	70,934
19,906,633	4,131,368	24,038,001	(188,069)
<u>\$ 24,095,342</u>	<u>\$ 4,174,189</u>	<u>\$ 28,269,531</u>	<u>\$ (117,135)</u>

MCINTOSH COUNTY, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

ASSETS	General	Sales Tax 2010	Other Governmental Funds	Total
Cash and cash equivalents	\$ 5,555,426	\$ 1,354,951	\$ 1,486,547	\$ 8,396,924
Taxes receivable	405,157	-	10,643	415,800
Accounts receivable	89,751	-	55,941	145,692
Due from other funds	199,038	-	165,278	364,316
Due from other governments	568,406	91,208	228,835	888,449
Prepaid items	270,754	-	-	270,754
Advances to other funds	683,003	-	-	683,003
Total assets	<u>\$ 7,771,535</u>	<u>\$ 1,446,159</u>	<u>\$ 1,947,244</u>	<u>\$ 11,164,938</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts and retainage payable	\$ 94,923	\$ 37,181	\$ 21,904	\$ 154,008
Accrued expenses	120,915	-	-	120,915
Due to other funds	165,278	-	164,279	329,557
Due to other governments	10,195	36,592	-	46,787
Total liabilities	<u>391,311</u>	<u>73,773</u>	<u>186,183</u>	<u>651,267</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue - property taxes	381,483	-	-	381,483
Total deferred inflow of resources	<u>381,483</u>	<u>-</u>	<u>-</u>	<u>381,483</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	270,754	-	-	270,754
Advances to other funds	683,003	-	-	683,003
Restricted for:				
Judicial	-	-	527,344	527,344
Public safety	-	-	837,168	837,168
Economic development	-	-	62,764	62,764
Capital outlay	-	1,372,386	83,754	1,456,140
Tourism	-	-	135,120	135,120
Committed to:				
Capital outlay	-	-	8,911	8,911
Public safety	-	-	72,821	72,821
Unassigned	6,044,984	-	33,179	6,078,163
Total fund balances	<u>6,998,741</u>	<u>1,372,386</u>	<u>1,761,061</u>	<u>10,132,188</u>
Total liabilities, deferred inflow of resources, and fund balances	<u>\$ 7,771,535</u>	<u>\$ 1,446,159</u>	<u>\$ 1,947,244</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.				14,982,019
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				381,483
Deferred outflows of resources are not available to pay for current resources and, therefore, are not reported in the funds. These items consist of the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience of economic/demographic (gains)/losses, and employer contributions subsequent to the measurement date.				681,186
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(690,830)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.				(1,390,704)
Net position of governmental activities				<u>\$ 24,095,342</u>

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	General	Sales Tax 2010	Other Governmental Funds	Total
Revenues:				
Property taxes	\$ 4,751,379	\$ -	\$ -	\$ 4,751,379
Sales taxes	892,516	1,190,013	-	2,082,529
Business taxes	700,929	-	-	700,929
Other taxes	500,677	-	187,808	688,485
Licenses and permits	117,521	-	-	117,521
Intergovernmental	386,172	-	897,380	1,283,552
Charges for services	780,148	-	242,771	1,022,919
Fines and forfeitures	2,584,260	-	630,051	3,214,311
Interest	4,095	984	1,271	6,350
Other revenues	705,883	-	1,409	707,292
Total revenues	<u>11,423,580</u>	<u>1,190,997</u>	<u>1,960,690</u>	<u>14,575,267</u>
Expenditures:				
Current:				
General government	2,030,765	-	-	2,030,765
Judicial	1,263,508	-	31,992	1,295,500
Public safety	6,430,903	-	868,458	7,299,361
Public works	1,062,461	-	-	1,062,461
Health and welfare	133,284	-	-	133,284
Culture and recreation	403,650	-	211,241	614,891
Housing and development	380,842	-	114,433	495,275
Intergovernmental	-	238,003	-	238,003
Capital outlay	-	1,010,368	359,669	1,370,037
Debt service:				
Principal	10,975	88,993	21,197	121,165
Interest	2,346	8,377	2,757	13,480
Total expenditures	<u>11,718,734</u>	<u>1,345,741</u>	<u>1,609,747</u>	<u>14,674,222</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(295,154)</u>	<u>(154,744)</u>	<u>350,943</u>	<u>(98,955)</u>
Other financing sources (uses):				
Proceeds from sale of assets	5,035,000	-	-	5,035,000
Capital leases	35,170	337,287	-	372,457
Transfers in	236,302	-	378,979	615,281
Transfers out	(363,211)	(15,768)	(236,302)	(615,281)
Total other financing sources (uses)	<u>4,943,261</u>	<u>321,519</u>	<u>142,677</u>	<u>5,407,457</u>
Net change in fund balances	4,648,107	166,775	493,620	5,308,502
Fund balances, beginning of year	<u>2,350,634</u>	<u>1,205,611</u>	<u>1,267,441</u>	<u>4,823,686</u>
Fund balances, end of year	<u>\$ 6,998,741</u>	<u>\$ 1,372,386</u>	<u>\$ 1,761,061</u>	<u>\$ 10,132,188</u>

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

MCINTOSH 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 SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds.	\$ 5,308,502
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 difference between depreciation expense and capital outlay in the current period.	(128,336)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfers, trade-ins, and donations) is to decrease net position.	(666,900)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues changed during the year by this amount.	(13,377)
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 of those transactions.	(251,292)
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.	(59,888)
	<u>\$ 4,188,709</u>

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 5,000,076	\$ 5,000,076	\$ 4,751,379	\$ (248,697)
Sales taxes	939,380	939,380	892,516	(46,864)
Business taxes	648,365	648,365	700,929	52,564
Other taxes	533,802	533,802	500,677	(33,125)
Licenses and permits	102,910	102,910	117,521	14,611
Intergovernmental	634,060	634,060	386,172	(247,888)
Charges for services	760,753	760,753	780,148	19,395
Fines and forfeitures	2,146,428	2,146,428	2,584,260	437,832
Interest income	1,951	1,951	4,095	2,144
Other revenues	553,370	553,370	705,883	152,513
Total revenues	11,321,095	11,321,095	11,423,580	102,485
Expenditures:				
Current:				
General government:				
Elections	207,806	215,806	215,597	209
Financial administration	718,746	718,746	688,667	30,079
Tax commissioner	385,787	385,787	362,446	23,341
Tax assessor	575,566	500,566	497,854	2,712
General government buildings and plant	235,601	259,401	259,230	171
Board of equalization	25,376	25,376	6,971	18,405
Total general government	2,148,882	2,105,682	2,030,765	74,917
Judicial:				
Superior court	458,856	458,856	448,666	10,190
State court	478,317	493,217	486,249	6,968
Probate-magistrate court	329,363	329,363	328,593	770
Total judicial	1,266,536	1,281,436	1,263,508	17,928
Public safety:				
Sheriff	3,296,136	3,296,136	3,270,579	25,557
Jail operations	1,738,055	1,677,961	1,662,530	15,431
Fire	174,356	174,856	174,524	332
Ambulance services	912,898	969,898	969,155	743
Coroner	19,618	19,618	15,953	3,665
Emergency management	128,920	128,920	115,486	13,434
Animal shelter	239,566	239,566	222,676	16,890
Total public safety	6,509,549	6,506,955	6,430,903	76,052
Public works:				
Roads and bridges	1,288,379	1,288,379	1,034,381	253,998
Water	30,000	30,000	28,080	1,920
Total public works	1,318,379	1,318,379	1,062,461	255,918

(Continued)

MCINTOSH COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures:				
Current:				
Health and welfare:				
Health	\$ 52,080	\$ 52,080	\$ 52,080	\$ -
Mosquito Control	13,500	13,500	10,761	2,739
Welfare	14,040	14,040	12,870	1,170
Family connections	50,131	57,641	57,573	68
Total health and welfare	129,751	137,261	133,284	3,977
Culture and recreation:				
Leisure services	363,627	363,627	340,650	22,977
Library	63,000	63,000	63,000	-
Total culture and recreation	426,627	426,627	403,650	22,977
Housing and development:				
County extension	75,000	75,000	59,076	15,924
Protective inspection	214,078	214,078	204,317	9,761
Economic opportunity	94,066	117,450	117,449	1
Total housing and development	383,144	406,528	380,842	25,686
Debt service:				
Principal	-	-	10,975	(10,975)
Interest	-	-	2,346	(2,346)
Total debt service	-	-	13,321	(13,321)
Total expenditures	12,182,868	12,182,868	11,718,734	464,134
Deficiency of revenues over expenditures	(861,773)	(861,773)	(295,154)	566,619
Other financing sources:				
Proceeds from sale of assets	5,000	5,000	5,035,000	5,030,000
Capital leases	-	-	35,170	35,170
Transfers in	74,893	74,893	236,302	161,409
Transfers out	-	-	(363,211)	(363,211)
Total other financing sources	79,893	79,893	4,943,261	4,863,368
Net change in fund balances	(781,880)	(781,880)	4,648,107	5,429,987
Fund balance, beginning of year	2,350,634	2,350,634	2,350,634	-
Fund balance, end of year	\$ 1,568,754	\$ 1,568,754	\$ 6,998,741	\$ 5,429,987

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS

SEPTEMBER 30, 2016

ASSETS	Water Fund	Solid Waste Fund	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 525,006	\$ 189,005	\$ 714,011
Accounts receivable, net of allowances	94,267	78,914	173,181
Due from other funds	2,250	-	2,250
Total current assets	<u>621,523</u>	<u>267,919</u>	<u>889,442</u>
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	90,103	124,690	214,793
Depreciable, net of accumulated depreciation	11,064,498	994,411	12,058,909
Total noncurrent assets	<u>11,154,601</u>	<u>1,119,101</u>	<u>12,273,702</u>
Total assets	<u>11,776,124</u>	<u>1,387,020</u>	<u>13,163,144</u>
DEFERRED OUTFLOWS OF RESOURCES			
Net difference between projected and actual earnings on pension plan investments	1,343	5,200	6,543
Differences between expected and actual experience of economic/demographic (gains)/losses	203	787	990
Employer contributions subsequent to the measurement date	1,914	7,412	9,326
Pension assumption changes	843	3,262	4,105
Total deferred outflows of resources	<u>4,303</u>	<u>16,661</u>	<u>20,964</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	3,685	86,116	89,801
Accrued expenses	15,406	-	15,406
Due to other funds	37,009	-	37,009
Customer deposits	25,435	-	25,435
Current portion - compensated absences	2,687	4,805	7,492
Current portion - bond payable	91,314	-	91,314
Total current liabilities	<u>175,536</u>	<u>90,921</u>	<u>266,457</u>
LONG-TERM LIABILITIES			
Advance from other funds	-	683,003	683,003
Compensated absences, net of current portion	672	1,202	1,874
Accrued landfill closure/postclosure care costs	-	1,587,521	1,587,521
Bond payable, net of current portion	6,428,263	-	6,428,263
Net pension liability	8,786	34,015	42,801
Total long-term liabilities	<u>6,437,721</u>	<u>2,305,741</u>	<u>8,743,462</u>
Total liabilities	<u>6,613,257</u>	<u>2,396,662</u>	<u>9,009,919</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	4,635,024	1,119,101	5,754,125
Restricted for:			
Debt service	149,378	-	149,378
Unrestricted (deficit)	382,768	(2,112,082)	(1,729,314)
Total net position	<u>\$ 5,167,170</u>	<u>\$ (992,981)</u>	<u>\$ 4,174,189</u>

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Water Fund	Solid Waste Fund	Total
OPERATING REVENUES			
Charges for services	\$ 685,302	\$ 1,006,944	\$ 1,692,246
Miscellaneous	14,427	-	14,427
Total operating revenues	699,729	1,006,944	1,706,673
OPERATING EXPENSES			
Salaries and benefits	154,423	208,857	363,280
Cost of sales and services	89,841	1,155,002	1,244,843
Supplies	81,928	45,401	127,329
Depreciation	187,336	165,475	352,811
Total operating expenses	513,528	1,574,735	2,088,263
Operating income (loss)	186,201	(567,791)	(381,590)
NONOPERATING INCOME (EXPENSES)			
Interest income	465	3,768	4,233
Interest expense	(246,722)	-	(246,722)
Total nonoperating income (expenses)	(246,257)	3,768	(242,489)
Loss before capital contributions	(60,056)	(564,023)	(624,079)
CAPITAL CONTRIBUTIONS			
Other capital contributions	330,113	336,787	666,900
Total capital contributions	330,113	336,787	666,900
Change in net position	270,057	(227,236)	42,821
NET POSITION (DEFICIT), beginning of year	4,897,113	(765,745)	4,131,368
NET POSITION (DEFICIT), end of year	\$ 5,167,170	\$ (992,981)	\$ 4,174,189

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Water Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 694,370	\$ 1,022,865	\$ 1,717,235
Payments to suppliers	(162,444)	(1,037,281)	(1,199,725)
Payments to employees	(153,494)	(215,465)	(368,959)
Net cash provided by (used in) operating activities	378,432	(229,881)	148,551
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on bonds payable	(87,294)	-	(87,294)
Interest paid	(246,930)	-	(246,930)
Net cash used in capital and related financing activities	(334,224)	-	(334,224)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	465	3,768	4,233
Net cash provided by investing activities	465	3,768	4,233
Net increase (decrease) in cash and cash equivalents	44,673	(226,113)	(181,440)
Cash and cash equivalents:			
Beginning of year	480,333	415,118	895,451
End of year	\$ 525,006	\$ 189,005	\$ 714,011
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ 186,201	\$ (567,791)	\$ (381,590)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	187,336	165,475	352,811
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(5,359)	15,921	10,562
Increase in deferred outflows of resources	(2,209)	(3,773)	(5,982)
(Increase) decrease in accounts payable	(3,753)	53,063	49,310
Increase in due to other funds	8,211	-	8,211
Increase in customer deposits	4,867	-	4,867
Increase in advance from other funds	-	16,797	16,797
Increase in compensated absences	415	463	878
(Increase) decrease in net pension liability	2,723	(3,298)	(575)
Increase in landfill closure and postclosure costs	-	93,262	93,262
Net cash provided by (used in) operating activities	\$ 378,432	\$ (229,881)	\$ 148,551
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Contributions of capital assets from governmental activities	\$ 330,113	\$ 336,787	\$ 666,900

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

MCINTOSH COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

SEPTEMBER 30, 2016

		Agency Funds
ASSETS		
Cash		\$ 701,614
Taxes receivable		932,818
Total assets		<u>\$ 1,634,432</u>
LIABILITIES		
Due to others		\$ 701,614
Uncollected taxes		932,818
Total liabilities		<u>\$ 1,634,432</u>

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

MCINTOSH COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

McIntosh County, Georgia (the "County") was created by legislative act in 1793 and operates under a County Commissioner / County Manager form of government, providing the following services as authorized by its charter: public safety, highways and streets, health and social services, culture-recreation, courts, economic development and general administrative services.

The County is governed by a five-member Board of Commissioners. Four members represent a geographical district within the County, while the Chairman represents the County at large. There are additional officers elected countywide. State law pertaining to county government provides for the independent election of these county officials. The officials are all part of the County's legal entity and include the Sheriff, Tax Commissioner, State Court Judges, Probate-Magistrate Court Judge and Clerk of Courts. The offices of the independently elected officials are not separate from the County and are, therefore, reported as part of the County.

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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

As required by generally accepted accounting principles, these financial statements present McIntosh County, Georgia (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of their operational or financial relationship with the County.

Discretely Presented Component Unit

The McIntosh County Board of Health (the "Board of Health") was established pursuant to an act of the General Assembly of the State of Georgia. The Board of Health is governed by a seven-member board consisting of the chief executive officer of the County, or the designated replacement, three members appointed by the County, the chief executive officer of the City of Darien, one member appointed by the City of Darien, and the County's Superintendent of Schools. The McIntosh County Commission has the authority to review and reject the annual budget of the Board of Health. Upon approval of the Board of Health's budget by the Commission, the Commission shall levy a tax sufficient to meet the Board of Health's appropriations in excess of funds it expects to receive from other sources. The fiscal year end of the component unit is June 30.

Separate financial statements for the Board of Health can be obtained from its administrative office at P.O. Box 576, Darien, Georgia 31305.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The County reports the following major governmental funds:

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

The **Sales Tax 2010 Fund** is used to account for the proceeds of a 1% Special Purpose Local Option Sales Tax. Funds are used for: roads, courthouse and administrative buildings, local solid waste handling facility, recreational facility, public safety facilities, capital equipment for use in voting, other various capital projects to be owned and/or operated by McIntosh County, and other City projects within McIntosh County.

The County reports the following major business-type funds:

The **Water Fund** is an enterprise fund used to account for the provision of water services to the citizens of McIntosh County. Activities of the fund include water administration, operations, billing and collections.

The **Solid Waste Fund** accounts for the activities of the County's solid waste management operations. All activities necessary to provide such services are accounted for in this fund.

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 project funds** account for the acquisition or construction of capital facilities.

The **internal service fund** accounts for the County's health insurance reimbursement program. The fund was created to reimburse participants for a portion of the deductible incurred by the employee.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

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

Statutes authorize the County to invest in obligations of the United States and of its agencies and instrumentalities, bonds of the State of Georgia and its agencies, instrumentalities and political subdivisions, certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations, repurchase agreements and Georgia Fund 1, the Local Government Investment Pool.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Short-Term Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). 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." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Inventory and Prepaid Items

Inventory in the governmental funds is valued at the lower of cost or market. The County accounts for inventory on the purchase basis. 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.

G. 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 \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets is included as part of the capitalized value of the assets constructed. No interest expense was capitalized during the fiscal year ended September 30, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Depreciation is provided on the straight-line method over the following estimated useful lives:

Primary Government

Buildings and improvements	20 - 40 years
Machinery and equipment	5 - 15 years
Infrastructure	15 - 50 years
Water system	20 - 50 years
Landfill	15 - 50 years

McIntosh County Board of Health

Machinery and equipment	5 years
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H. Long-Term Obligations

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

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

I. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The County's policy is to permit employees to accumulate up to 160 days earned but unused vacation. All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is recorded for nonvesting accumulation rights to receive sick pay benefits.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has four items related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the County's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. The County also reports deferred outflows of resources for assumption changes which are amortized into pension expense over the average expected remaining service lives of plan members. Additionally, any contributions made by the County to the pension plan before year end but subsequent to the measurement date of the County's net pension liability are reported as deferred outflows of resources.

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

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the McIntosh County, Georgia Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 County Commission through the adoption of a resolution. Only the County Commission may modify or rescind the commitment.
- **Assigned** - Fund balances are reported as assigned when amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the County Commission has authorized the County Manager 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 balances may be reported in all funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity (Continued)

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:

- Committed
- Assigned
- Unassigned

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. Management 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 disclosure 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.

NOTES TO FINANCIAL STATEMENTS

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 a 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 \$690,830 difference are as follows:

Capital lease payable	\$ (543,012)
Notes payable	(24,195)
Compensated absences	<u>(123,623)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>\$ (690,830)</u>

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 a 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 useful lives and reported as depreciation expense.” The details of this \$128,336 difference are as follows:

Capital outlay	\$ 1,509,304
Depreciation expense	<u>(1,637,640)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (128,336)</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 (Continued)

Another element of that reconciliation explains that "The issuance of long-term debt provides current financial recourses to governmental funds, while the repayment of the principal of long-term debt consumes the current financial recourses of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$251,292 difference are as follows:

Debt issued - notes payable	\$ (35,170)
Issuance of capital leases	(337,287)
Principal payments - notes and capital leases payable	<u>121,165</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>\$ (251,292)</u></u>

Another element of that reconciliation states that "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." The details of this \$59,888 difference are as follows:

Accrued interest	\$ 3,426
Compensated absences	(3,292)
Change in net pension liability and related deferred outflows of resources	<u>(60,022)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>\$ (59,888)</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

1. Prior to year end, the County Manager submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the County Court House to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through approval by the Board of Commissioners.
4. The Board of Commissioners has the authority to amend its budget. An increase in appropriation in any fund for a department, whether accomplished through a change in anticipated revenues in any fund or through a transfer of appropriations among departments, shall require the approval of the Board of Commissioners. Transfers of appropriations in any fund among the various accounts within a department shall require only the approval of the budget officer.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund and the Special Revenue Funds.
6. The budgets for the General Fund and the 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.

Budgeted amounts are as originally adopted on November 1, 2015 or as amended by the Board of Commissioners. Individual amendments were not material in relation to the original appropriations.

B. 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 assign or commit that portion of the applicable appropriation, is not utilized by the County.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

C. Solid Waste Fund

The Solid Waste Fund reported a deficit net position of \$992,981 for the fiscal year ended September 30, 2016. The deficit is intended to be eliminated through increased user charges.

NOTE 4. CASH AND INVESTMENTS

Total deposits and investments as of September 30, 2016 are summarized as follows:

As reported in the Statement of Net Position:	
Cash and cash equivalents	<u>\$ 9,110,935</u>
Cash deposited with financial institutions	<u>\$ 9,110,935</u>

Credit risk. State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions 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.

Custodial credit risk – deposits. The County does not have a formal custodial credit risk policy. 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 September 30, 2016, the County's deposits were not exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables consisted of the following at September 30, 2016 for the County's individual major funds and nonmajor funds in the aggregate:

	General	Nonmajor Governmental Funds	Water Fund	Solid Waste Fund	Total
Receivables:					
Taxes	\$ 604,712	\$ 10,643	\$ -	\$ -	\$ 615,355
Accounts	89,751	55,941	143,145	107,559	396,396
Gross receivables	694,463	66,584	143,145	107,559	1,011,751
Less allowance for uncollectibles	(199,555)	-	(48,878)	(28,645)	(277,078)
Net total receivable	<u>\$ 494,908</u>	<u>\$ 66,584</u>	<u>\$ 94,267</u>	<u>\$ 78,914</u>	<u>\$ 734,673</u>

Property taxes attached as an enforceable lien on property as of January 1, 2015. Property taxes were levied on August 11, 2015, and payable on or before December 15, 2015. The County bills and collects its own property taxes. Property taxes levied for 2015 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during the year ended September 30, 2016, and collected by November 30, 2016, are recognized as revenues in the year ended September 30, 2016. Net receivables estimated to be collected subsequent to November 30, 2016, are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

The County's capital asset activity for the fiscal year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 465,082	\$ 375,960	\$ -	\$ -	\$ 841,042
Construction in progress	939,139	606,719	-	(1,406,901)	138,957
Total capital assets, not being depreciated	1,404,221	982,679	-	(1,406,901)	979,999
Capital assets, being depreciated:					
Buildings	10,857,655	-	-	-	10,857,655
Machinery and equipment	7,381,868	526,625	-	(336,787)	7,571,706
Infrastructure	31,105,618	-	-	1,076,788	32,182,406
Total capital assets, being depreciated	49,345,141	526,625	-	740,001	50,611,767
Less accumulated depreciation for:					
Buildings	(3,170,097)	(274,358)	-	-	(3,444,455)
Machinery and equipment	(4,622,078)	(513,712)	-	-	(5,135,790)
Infrastructure	(27,179,932)	(849,570)	-	-	(28,029,502)
Total accumulated depreciation	(34,972,107)	(1,637,640)	-	-	(36,609,747)
Total capital assets, being depreciated, net	14,373,034	(1,111,015)	-	740,001	14,002,020
Governmental activities capital assets, net	<u>\$ 15,777,255</u>	<u>\$ (128,336)</u>	<u>\$ -</u>	<u>\$ (666,900)</u>	<u>\$ 14,982,019</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 214,793	\$ -	\$ -	\$ -	\$ 214,793
Construction in progress	8,009,116	-	-	(8,009,116)	-
Total capital assets, not being depreciated	8,223,909	-	-	(8,009,116)	214,793
Capital assets, being depreciated:					
Building and improvements	174,459	-	-	-	174,459
Machinery and equipment	1,323,810	-	-	336,787	1,660,597
Water system	4,261,966	-	-	8,339,229	12,601,195
Landfill	757,304	-	-	-	757,304
Total	6,517,539	-	-	8,676,016	15,193,555
Less accumulated depreciation for:					
Building and improvements	(57,318)	(8,324)	-	-	(65,642)
Machinery and equipment	(692,322)	(135,151)	-	-	(827,473)
Water system	(1,419,700)	(174,043)	-	-	(1,593,743)
Landfill	(612,496)	(35,292)	-	-	(647,788)
Total	(2,781,836)	(352,810)	-	-	(3,134,646)
Total capital assets, being depreciated, net	3,735,703	(352,810)	-	8,676,016	12,058,909
Business-type activities capital assets, net	<u>\$ 11,959,612</u>	<u>\$ (352,810)</u>	<u>\$ -</u>	<u>\$ 666,900</u>	<u>\$ 12,273,702</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

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

Governmental activities:	
General government	\$ 35,466
Judicial	2,301
Public safety	586,723
Public works	893,416
Health and welfare	11,530
Culture and recreation	108,204
Total depreciation expense - governmental activities	<u>\$ 1,637,640</u>
Business-type activities	
Water Fund	\$ 187,336
Solid Waste Fund	165,475
Total depreciation expense - business-type activities	<u>\$ 352,811</u>

B. Discretely Presented Component Unit – McIntosh County Board of Health

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 19,427	\$ 6,795	\$ -	\$ 26,222
Total	<u>19,427</u>	<u>6,795</u>	<u>-</u>	<u>26,222</u>
Less accumulated depreciation for:				
Machinery and equipment	(18,762)	(1,580)	-	(20,342)
Total	<u>(18,762)</u>	<u>(1,580)</u>	<u>-</u>	<u>(20,342)</u>
Total capital assets, being depreciated, net	<u>665</u>	<u>5,215</u>	<u>-</u>	<u>5,880</u>
Board of Health capital assets, net	<u>\$ 665</u>	<u>\$ 5,215</u>	<u>\$ -</u>	<u>\$ 5,880</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term debt activity for the fiscal year ended September 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ -	\$ 35,170	\$ (10,975)	\$ 24,195	\$ 11,707
Capital leases payable	315,915	337,287	(110,190)	543,012	173,132
Compensated absences	120,331	131,976	(128,684)	123,623	98,899
Net pension liability	992,204	516,838	(118,338)	1,390,704	-
Governmental activities long-term liabilities	<u>\$ 1,428,450</u>	<u>\$ 1,021,271</u>	<u>\$ (368,187)</u>	<u>\$ 2,081,534</u>	<u>\$ 283,738</u>
Business-type activities:					
Revenue bonds payable	\$ 6,606,871	\$ -	\$ (87,294)	\$ 6,519,577	\$ 91,314
Compensated absences	8,488	9,483	(8,605)	9,366	7,492
Closure and postclosure care	1,494,259	93,262	-	1,587,521	-
Net pension liability	43,376	221,502	(222,077)	42,801	-
Business-type activities long-term liabilities	<u>\$ 8,152,994</u>	<u>\$ 324,247</u>	<u>\$ (317,976)</u>	<u>\$ 8,159,265</u>	<u>\$ 98,806</u>
Component unit - McIntosh County Board of Health:					
Compensated absences	\$ 28,670	\$ -	\$ (5,132)	\$ 23,538	\$ 4,708
McIntosh County Board of Health long-term liabilities	<u>\$ 28,670</u>	<u>\$ -</u>	<u>\$ (5,132)</u>	<u>\$ 23,538</u>	<u>\$ 4,708</u>

For governmental activities, compensated absences are generally liquidated by the General Fund.
For business-type activities, compensated absences are liquidated by the related Proprietary Fund.

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various types of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of leased assets under capital leases as of September 30, 2016:

	Governmental Activities
Equipment	\$ 815,504
Less: Accumulated depreciation	(248,900)
	<u>\$ 566,604</u>

The County recorded \$64,711 in depreciation expense on capital leases during the year ended September 30, 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

The following is a schedule of future minimum lease payments together with the present value of net minimum lease payments as of September 30, 2016:

	Governmental Activities
Fiscal year ending September 30,	
2017	\$ 185,881
2018	138,148
2019	86,806
2020	64,558
2021	64,558
2022	46,058
Total minimum lease payments	586,009
Less amount representing interest	42,997
Present value of future minimum lease payments	<u>\$ 543,012</u>

Notes Payable. The County has entered into a loan agreement for the purchase of camera systems for the County Sheriff's Department. The County's note payable outstanding at September 30, 2016 is as follows:

	Governmental Activities
Fiscal year ending September 30,	
2017	\$ 13,321
2018	13,321
Total payments	26,642
Less amount representing interest	2,447
Total principal amount	<u>\$ 24,195</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds Payable. During the fiscal year ended September 30, 2012, the County issued \$6,760,000 in Series 2011 McIntosh County Water System Revenue Bonds for the purposes of paying the interim commercial financing used for acquiring, constructing, and equipping improvements and additions to and extensions of the existing water system of the County, as required by the United States Department of Agriculture agreement. These bonds were purchased by the United States Department of Agriculture and were due in annual installments of interest only of \$253,500 through November 2013. Principal is due in monthly installments of \$27,852, beginning December 2013 through November 2051, including interest of 3.75%.

Debt service requirements to maturity on the bonds payable are as follows:

Fiscal Year Payable	Total	Principal	Interest
2017	\$ 334,224	\$ 91,314	\$ 242,910
2018	334,224	94,798	239,426
2019	334,224	98,414	235,810
2020	334,224	101,520	232,704
2021	334,224	106,043	228,181
2022 - 2026	1,671,120	593,427	1,077,693
2027 - 2031	1,671,120	715,635	955,485
2032 - 2036	1,671,120	862,602	808,518
2037 - 2041	1,671,120	1,040,829	630,291
2042 - 2046	1,671,120	1,255,204	415,916
2047 - 2052	1,717,445	1,559,790	157,655
	<u>\$ 11,744,165</u>	<u>\$ 6,519,577</u>	<u>\$ 5,224,588</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Landfill Closure and Postclosure Care Cost. State and federal laws and regulations require that McIntosh County, Georgia place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The amount of costs recognized in each period is based on the relative amount of waste received during the period, even though some of the closure and postclosure care costs will be paid after the landfill is closed. The \$1,587,521 reported as an estimated liability for closure and postclosure care costs represents the estimated cost for landfill closure and postclosure care based upon the capacity of the landfill used to date. The amount of the total estimated cost for landfill closure and postclosure care of \$2,048,702 will be recognized on a pro rata basis as the remaining estimated capacity of 120,689 cubic yards of useable space is filled. Approximately 77% of the landfill's capacity has been used to date, and the County expects the landfill to close in 2025. All amounts recognized are based on what it would cost to perform all closure and postclosure care in 2003 as adjusted annually for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

It is anticipated that future inflation costs will be in part financed from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earning on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example), may need to be covered by charges to future landfill users, taxpayers, or both. The financial assurance requirements are being met through the proper maintenance of cash balances and financial ratios.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 162,029
General Fund	Water Fund	37,009
Nonmajor Governmental Funds	General Fund	165,278
Water Fund	Nonmajor Governmental Funds	2,250
		<u>\$ 366,566</u>

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	<u>\$ 683,003</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. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

Interfund transfers:

<u>Transfer In</u>	<u>Transfer Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Sales Tax 2010 Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 236,302	\$ 236,302
Nonmajor Governmental Funds	363,211	15,768	-	378,979
	<u>\$ 363,211</u>	<u>\$ 15,768</u>	<u>\$ 236,302</u>	<u>\$ 615,281</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 (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) to transfer funds for debt service.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN

A. Primary Government

Plan Description

The County, as authorized by the County Commission, has established a non-contributory defined benefit pension plan, The McIntosh County Defined Benefit Plan (the Plan), covering substantially all of the County's employees. The County's pension plan is administered through the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (the ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp and affiliated with the Association of County Commissioners of Georgia (ACCG). The Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Plan benefits are provided for Plan participants who were participants in the Plan before January 1, 2004 whereby retirees receive between 1% and 1.75% multiplied by the average of the highest five consecutive years of earnings multiplied by the total credited years of service. Plan benefits are provided for Plan participants who were participants in the Plan on or after January 1, 2004 whereby retirees receive 1% multiplied by the average of the highest five consecutive years of earnings multiplied by the total credited years of service. The ACCG, in its role as the Plan sponsor, has the sole authority to establish and amend the benefit provisions and the contribution rates of the County related to the Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan, as provided in Section 19.02 of the ACCG Plan document. The County Commission retains this authority. The ACCG Plan issues a publicly available financial report that includes financial statements and required supplementary information for the pension trust. That report may be obtained at www.gebcorp.com or by writing to Association County Commissioners of Georgia, Retirement Services, 191 Peachtree Street, NE, Atlanta, Georgia 30303 or by calling (800) 736-7166.

Plan Membership

As of January 1, 2016, the date of the most recent actuarial valuation, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	40
Inactive plan members entitled to but not receiving benefits	80
Active plan members	112
	<hr/>
	232
	<hr/>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Primary Government (Continued)

Contributions

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of the ACCG Plan has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the Plan, as adopted by the County Commission, is to contribute an amount equal to or greater than the actuarially recommended contribution rate. This rate is based on the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. No contributions are made by plan participants. For the year ended September 30, 2016, the County's contribution rate was 7.9% of annual payroll. County contributions to the Plan were \$312,354 for the year ended September 30, 2016.

Net Pension Liability of the County

Effective October 1, 2014, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* which significantly changed the County's accounting for pension amounts. The information disclosed below is presented in accordance with this new standard.

The County's net pension liability was measured as of December 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as January 1, 2015 with update procedures performed by the actuary to roll forward to the total pension liability measured as of December 31, 2015.

Actuarial Assumptions. The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.5% - 5.5%, including inflation
Investment rate of return	7.5 %, net of pension plan investment expense, including inflation
Mortality rates for were based on the RP-2000 Combined Healthy Mortality Table.	

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Primary Government (Continued)

Net Pension Liability of the County (Continued)

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study through December 31, 2014.

The long-term expected rate of return on pension plan investments was determined through a blend of using a building-block method based on 20-year benchmarks (25%) and 30-year benchmarks (25%), as well as forward-looking capital market assumptions for a moderate asset allocation (50%), as determined by UBS. Expected future 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 weighting 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, 2015 are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return *</u>
Fixed income	30 %	6.78 %
Large Cap equity	30	9.77
International equity	15	7.48
Other equity	20	9.23
Real estate	5	10.63
	<u>100 %</u>	

* Rates shown are net of the 3.00% assumed rate of inflation

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 County contributions will be made based on the average County contribution made to the Plan over the prior five years. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Primary Government (Continued)

Changes in the Net Pension Liability of the County. The changes in the components of the net pension liability of the County for the year ended September 30, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2015	\$ 4,411,926	\$ 3,376,346	\$ 1,035,580
Changes for the year:			
Service cost	137,728	-	137,728
Interest	330,894	-	330,894
Changes in experience	40,719	-	40,719
Assumption changes	168,710	-	168,710
Contributions - employer	-	312,354	(312,354)
Net investment income	-	23,186	(23,186)
Benefit payments, including refunds of employee contributions	(134,925)	(130,049)	(4,876)
Administrative expense	-	(22,353)	22,353
Other charges	-	(37,937)	37,937
Net changes	543,126	145,201	397,925
Balances at September 30, 2016	<u>\$ 4,955,052</u>	<u>\$ 3,521,547</u>	<u>\$ 1,433,505</u>

The required schedule of changes in the County's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's net pension liability	\$ 2,103,290	\$ 1,433,505	\$ 876,282

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

A. Primary Government (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2015 and the current sharing pattern of costs between employer and employee

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2016, the County recognized pension expense of \$359,619. At September 30, 2016, the County reported deferred outflows of resources related to pensions from the following sources

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 219,149
Differences between expected and actual experience of economic/demographic (gains)/losses	33,179
Difference in assumption changes	137,468
Employer contributions subsequent to the measurement date	312,354
	<u>\$ 702,150</u>

County contributions subsequent to the measurement date of \$312,354 are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2017	\$ 97,449
2018	97,449
2019	97,449
2020	97,449
Total	<u>\$ 389,796</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Discretely Presented Component Unit – McIntosh County Board of Health

Plan Description

The Employees' Retirement System (ERS) was established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. It is a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. ERS is directed by the Board of Trustees. Title 47 of the O.C.G.A assigns the authority to establish and amend the benefit provisions to the State Legislature.

Benefits Provided

The ERS Plan supports three benefits tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the Old Plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are New Plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS member hired prior to January 1, 2009 also have the option to irrevocably change their memberships to GSEPS.

Under the Old Plan, the New Plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for member under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to member's benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Discretely Presented Component Unit – McIntosh County Board of Health (Continued)

Contributions

Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The Health Department's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2016 was 24.72% of annual covered payroll for the Old and New Plan members and 21.69% for GSEPS members. The Board of Health's contributions to ERS totaled \$45,172 for the year ended June 30, 2016. Contributions are expected to finance the costs of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Board of Health reported a liability of \$313,291 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. The Board of Health's proportion of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2015. At June 30, 2015, the Employer's proportion was 0.007733%, which was a decrease of 0.000017% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Board of Health recognized pension expense of \$22,196. At June 30, 2016, the Board of Health reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,503
Net difference between projected and actual earnings on pension plan investments	-	22,604
Changes in proportion and differences between Employers contributions and proportionate share of contributions	3,167	643
Employer contributions subsequent to the measurement date	45,172	-
	<u>\$ 48,339</u>	<u>\$ 25,750</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Discretely Presented Component Unit – McIntosh County Board of Health (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Board of Health contributions subsequent to the measurement date of \$45,172 are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ (8,823)
2018	(11,185)
2019	(10,136)
2020	7,561
Total	<u>\$ (22,583)</u>

Actuarial Assumptions

The collective total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	5.45-9.25%, including inflation
Investment rate of return	7.50%, net pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active services, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004-June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Discretely Presented Component Unit – McIntosh County Board of Health (Continued)

Actuarial Assumptions (Continued)

Asset class	Target Allocation	Long-term expected real rate of return *
Fixed income	30.00 %	3.00 %
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00 %	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate. The discount rate used to measure the collective total liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the differences between actuarially determined contribution rates and the member rate. Base on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employers' proportionate share of net pension liability	\$ 444,102	\$ 313,291	\$ 201,771

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Employees' Retirement Systems of Georgia Financial Report which is publically available at www.ersga.com.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED CONTRIBUTION PLAN

The County sponsors a defined contribution plan, the Charles Schwab, Inc. Plan (the "Contribution Plan"), administered by Charles Schwab. The Contribution Plan is a 457 deferred compensation agreement. The Contribution Plan was adopted by the McIntosh County Board of Commissioner's passing of a resolution. Amendments to the Contribution Plan are under the control of the Board of Commissioners. The County does not make contributions to the Contribution Plan. All employees may contribute amounts up to the annual ceiling established by the Internal Revenue Service. All contributions are vested at the time they are made. All employees are eligible to participate in the plan. During the fiscal year ended September 30, 2016, employees contributed \$46,175 to the Contribution Plan.

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County has insurance coverage with the Association County Commissioners of Georgia-Interlocal Risk Management Agency (ACCG-IRMA) to cover these claims. Losses relative to these risks are limited to a \$1,000 to \$5,000 per occurrence deductible provided for in the ACCG-IRMA contracts. As part of this risk pool, the County is obligated to pay all contributions and assessments as prescribed in the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage description 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. As of September 30, 2016, there were no outstanding or expected claims that would, in management's opinion, have a material adverse effect on the County's financial condition. Over the past three years, settlements have not exceeded the coverage.

The County participates in the Georgia Municipal Association Workers' Compensation Self-Insurance Fund (GMAWCSIF), a risk management agency created under Georgia law. As a participant in the GMAWCSIF, the County has no legal obligation to pay its own workers' compensation claims. The County is required to make an annual contribution to the fund in an amount that is determined on the basis of actuarial projections of losses. With payment of the County's annual contribution, the County has effectively transferred the risk and responsibility for payment of its workers' compensation claims. However, the enabling statute creating the GMAWCSIF permits the fund to levy an assessment upon its members to make up any deficiency in surplus or reserves. No amount has been recorded in the financial statements for this contingency, as management believes the likelihood for assessment is remote.

There were no significant reductions of insurance coverage compared to the prior year. Settled claims in the past three years have not exceeded the coverages.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation

The County is involved in a number of legal matters, which either have or could result in litigation. The nature of the lawsuits varies considerably. 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.

Grant Contingencies

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.

NOTE 13. RELATED ORGANIZATIONS

The McIntosh County Commission is responsible for appointing the seven-member board of the McIntosh County Industrial Development Authority (MCIDA). However, the McIntosh County Commission's powers with respect to MCIDA do not extend beyond these appointments and, accordingly, the County has no financial accountability for the MCIDA.

NOTE 14. JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the nine-county coastal Georgia region, is a member of the Coastal Regional Commission (CRC) and is required to pay annual dues thereto. During its year ended September 30, 2016, the County paid \$12,052 in such dues. Membership in a Regional Commission (RC) is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC's in Georgia. The CRC 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 an RC. Separate financial statements may be obtained from the Coastal Regional Commission, 127 "F" Street, Brunswick, Georgia 31520.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. HOTEL/MOTEL LODGING TAX

The County has imposed a 5% hotel/motel tax on lodging facilities within the County. Revenues collected during the fiscal year ended September 30, 2016, were \$187,808. Of this amount, \$114,433, or 61% of the amount collected was paid to the McIntosh County Chamber of Commerce to promote tourism within McIntosh County.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY AND RELATED RATIOS

	2016	2015
Total pension liability		
Service cost	\$ 137,728	\$ 145,049
Interest on total pension liability	330,894	305,995
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	168,710	-
Benefit payments, including refunds of employee contributions	(134,925)	(119,050)
Experience (Gain) / Loss	40,719	-
Net change in total pension liability	543,126	331,994
Total pension liability - beginning	4,411,926	4,079,932
Total pension liability - ending (a)	<u>\$ 4,955,052</u>	<u>\$ 4,411,926</u>
Plan fiduciary net position		
Contributions - employer	\$ 312,354	\$ 319,724
Net investment income	23,186	215,954
Benefit payments, including refunds of employee contributions	(130,049)	(114,747)
Administrative expenses	(22,353)	(22,549)
Other	(37,937)	(41,002)
Net change in plan fiduciary net position	145,201	357,380
Plan fiduciary net position - beginning	3,376,346	3,018,966
Plan fiduciary net position - ending (b)	<u>\$ 3,521,547</u>	<u>\$ 3,376,346</u>
County's net pension liability - ending (a) - (b)	<u>\$ 1,433,505</u>	<u>\$ 1,035,580</u>
Plan fiduciary net position as a percentage of the total pension liability	71.1%	76.5%
Covered-employee payroll	3,972,684	4,121,892
County's net pension liability as a percentage of covered-employee payroll	36.1%	25.1%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF COUNTY CONTRIBUTIONS

	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 312,354	\$ 319,724	\$ 292,688	\$ 232,725	\$ 227,163
Contributions in relation to the actuarially determined contribution	312,354	319,724	302,579	243,086	239,442
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,891)</u>	<u>\$ (10,361)</u>	<u>\$ (12,279)</u>
Covered-employee payroll	3,972,684	4,121,892	3,555,589	3,027,859	2,734,103
Contributions as a percentage of covered-employee payroll	7.9%	7.8%	8.5%	8.0%	8.8%
	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 193,036	\$ 177,153	\$ 129,348	\$ 96,538	\$ 99,841
Contributions in relation to the actuarially determined contribution	204,250	147,365	131,833	97,718	103,413
Contribution deficiency (excess)	<u>\$ (11,214)</u>	<u>\$ 29,788</u>	<u>\$ (2,485)</u>	<u>\$ (1,180)</u>	<u>\$ (3,572)</u>
Covered-employee payroll	2,372,495	2,160,722	1,946,372	1,442,237	1,520,077
Contributions as a percentage of covered-employee payroll	8.6%	6.8%	6.8%	6.8%	6.8%

Notes to the Schedule

Valuation date	January 1, 2015
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Smoothed market value with a 5-year smoothing period
Assumed Rate of Return on Investments	7.50%
Projected Salary Increases	3.5% - 5.5% (including 3% for inflation)
Amortization Period	Closed level dollar for unfunded liability
Remaining Amortization Period	None remaining

REQUIRED SUPPLEMENTARY INFORMATION

COMPONENT UNIT – MCINTOSH COUNTY BOARD OF HEALTH SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY EMPLOYEES' RETIREMENT SYSTEM

	2016	2015
Employer's proportion of the net pension liability	0.00773%	0.00775%
Employer's proportionate share of the net pension liability	\$ 313,291	\$ 290,673
Employer's covered-employee payroll	\$ 184,736	\$ 183,799
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.59%	158.15%
Plan fiduciary net position as a percentage of the total pension liability	76.20%	77.99%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

SCHEDULE OF CONTRIBUTIONS EMPLOYEES' RETIREMENT SYSTEM

	2016	2015	2014
Contractually required contribution	\$ 45,172	\$ 38,826	\$ 32,201
Contributions in relation to the contractually required contribution	45,172	38,826	32,201
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	193,726	\$ 184,736	\$ 183,799
Contributions as a percentage of covered-employee payroll	23.32%	21.02%	17.52%

Notes to the Schedule of Employer Contributions

Valuation date	June 30, 2014
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	5.45%-9.25% for FY2013-2014, 5.45%-9.25% for FY2015+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

MCINTOSH COUNTY, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Law Library Fund is used to account for the resources received from the various courts of McIntosh County and disbursements for the support of a centralized law library.

Confiscated Assets Fund is used to account for cash received either as a result of a cash confiscation or cash received from a sale of capital assets acquired from a drug raid.

Jail Fund is used to account for revenues collected by the imposition of a 10% add-on fine as provided for by the Georgia Jail Construction and Staffing Act.

Drug Fund is used to account for the collection of additional penalties for certain drug related crimes, donations related to drug education and for expenditure of those funds solely and exclusively for drug abuse treatment and education programs relating to controlled substances and marijuana (OCGA 15-21-100).

Victims Witness Assistance Fund is used to account for the County's activities related to witnesses in legal proceedings.

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

E-911 System Fund is used to account for the County's emergency communications operations by providing an open channel between citizens and public safety providers.

Grant Fund is used to account for most of the County's grant activity which consists of short lived projects.

Hotel/Motel Tax Fund is used to account for funds collected from the hotel/motel tax and disbursed to other agencies for the promotion of tourism.

Revolving Loan Fund is a special revenue fund used to account for the operations of the County's revolving loans. Original funding was provided by the Department of Housing and Urban Development through the State of Georgia Department of Community Affairs.

Capital Projects Fund

2005 Sales Tax Fund accounts for the proceeds of a 1% Special Purpose Local Option Sales Tax. Funds are used for: road and drainage projects; landfill projects; fire department projects; jail improvements; recreation projects; animal shelter projects; emergency medical projects; County administration projects; Industrial Development Authority projects; debt service; and other City projects within McIntosh County.

USDA Construction Fund is used to account for activities related to the improvements of the water system that is to be reimbursed by the United States Department of Agriculture.

CDBG Water System Fund is used to account for activities related to the improvements of the water system.

MCINTOSH COUNTY, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

ASSETS	Special Revenue Funds						
	Law Library	Confiscated Assets	Jail	Drug	Victim Witness Assistance	Jail Commissary	E-911
Cash and cash equivalents	\$ 184,405	\$ 57,877	\$ 216,830	\$ 76,432	\$ 351,779	\$ 72,821	\$ 344,456
Taxes receivable	-	-	-	-	-	-	-
Accounts receivable	-	-	19,143	-	-	-	36,798
Due from other funds	-	-	31,890	-	-	-	-
Due from other governments	-	-	-	297	5,387	-	99,088
Total assets	<u>\$ 184,405</u>	<u>\$ 57,877</u>	<u>\$ 267,863</u>	<u>\$ 76,729</u>	<u>\$ 357,166</u>	<u>\$ 72,821</u>	<u>\$ 480,342</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts and retainage payable	\$ -	\$ -	\$ 15,886	\$ -	\$ -	\$ -	\$ 6,018
Due to other funds	14,227	-	-	5,994	-	-	17,745
Total liabilities	<u>14,227</u>	<u>-</u>	<u>15,886</u>	<u>5,994</u>	<u>-</u>	<u>-</u>	<u>23,763</u>
FUND BALANCES							
Restricted for:							
Judicial	170,178	-	-	-	357,166	-	-
Public safety	-	57,877	251,977	70,735	-	-	456,579
Economic development	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Tourism	-	-	-	-	-	-	-
Committed to:							
Capital outlay	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	72,821	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>170,178</u>	<u>57,877</u>	<u>251,977</u>	<u>70,735</u>	<u>357,166</u>	<u>72,821</u>	<u>456,579</u>
Total liabilities and fund balances	<u>\$ 184,405</u>	<u>\$ 57,877</u>	<u>\$ 267,863</u>	<u>\$ 76,729</u>	<u>\$ 357,166</u>	<u>\$ 72,821</u>	<u>\$ 480,342</u>

Capital Projects Funds						
Grant	Hotel/ Motel Tax	Revolving Loan	2005 Sales Tax	USDA Construction	CDBG Water System	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 62,764	\$ 86,004	\$ 33,179	\$ -	\$ 1,486,547
-	10,643	-	-	-	-	10,643
-	-	-	-	-	-	55,941
-	124,477	-	-	-	8,911	165,278
124,063	-	-	-	-	-	228,835
<u>\$ 124,063</u>	<u>\$ 135,120</u>	<u>\$ 62,764</u>	<u>\$ 86,004</u>	<u>\$ 33,179</u>	<u>\$ 8,911</u>	<u>\$ 1,947,244</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,904
124,063	-	-	2,250	-	-	164,279
<u>124,063</u>	<u>-</u>	<u>-</u>	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>186,183</u>
-	-	-	-	-	-	527,344
-	-	-	-	-	-	837,168
-	-	62,764	-	-	-	62,764
-	-	-	83,754	-	-	83,754
-	135,120	-	-	-	-	135,120
-	-	-	-	-	8,911	8,911
-	-	-	-	-	-	72,821
-	-	-	-	33,179	-	33,179
<u>-</u>	<u>135,120</u>	<u>62,764</u>	<u>83,754</u>	<u>33,179</u>	<u>8,911</u>	<u>1,761,061</u>
<u>\$ 124,063</u>	<u>\$ 135,120</u>	<u>\$ 62,764</u>	<u>\$ 86,004</u>	<u>\$ 33,179</u>	<u>\$ 8,911</u>	<u>\$ 1,947,244</u>

MCINTOSH COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds						
	Law Library	Confiscated Assets	Jail	Drug	Victim Witness Assistance	Jail Commissary	E-911
Revenues:							
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	285,901
Charges for services	-	-	-	-	-	42,222	200,549
Fines and forfeitures	66,652	42,994	304,899	21,870	193,636	-	-
Interest income	146	53	125	56	310	33	310
Other revenues	-	-	-	-	-	-	1,409
Total revenues	<u>66,798</u>	<u>43,047</u>	<u>305,024</u>	<u>21,926</u>	<u>193,946</u>	<u>42,255</u>	<u>488,169</u>
Expenditures:							
Current							
Judicial	31,992	-	-	-	-	-	-
Public works	-	59,618	184,643	16,997	5,375	5,599	596,226
Culture and recreation	-	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>31,992</u>	<u>59,618</u>	<u>184,643</u>	<u>16,997</u>	<u>5,375</u>	<u>5,599</u>	<u>596,226</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,806</u>	<u>(16,571)</u>	<u>120,381</u>	<u>4,929</u>	<u>188,571</u>	<u>36,656</u>	<u>(108,057)</u>
Other financing uses:							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(131,521)	-	-
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,521)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>34,806</u>	<u>(16,571)</u>	<u>120,381</u>	<u>4,929</u>	<u>57,050</u>	<u>36,656</u>	<u>(108,057)</u>
Fund balances (deficit), beginning of year	<u>135,372</u>	<u>74,448</u>	<u>131,596</u>	<u>65,806</u>	<u>300,116</u>	<u>36,165</u>	<u>564,636</u>
Fund balances, end of year	<u>\$ 170,178</u>	<u>\$ 57,877</u>	<u>\$ 251,977</u>	<u>\$ 70,735</u>	<u>\$ 357,166</u>	<u>\$ 72,821</u>	<u>\$ 456,579</u>

Capital Projects Funds							Total Nonmajor Governmental Funds
Grant	Hotel/ Motel Tax	Revolving Loan	2005 Sales Tax	USDA Construction	CDBG Water System		
\$ -	\$ 187,808	\$ -	\$ -	\$ -	\$ -	\$	187,808
155,883	-	-	-	455,596	-		897,380
-	-	-	-	-	-		242,771
-	-	-	-	-	-		630,051
-	-	118	120	-	-		1,271
-	-	-	-	-	-		1,409
155,883	187,808	118	120	455,596	-		1,960,690
-	-	-	-	-	-		31,992
-	-	-	-	-	-		868,458
211,241	-	-	-	-	-		211,241
-	114,433	-	-	-	-		114,433
-	-	-	29,556	330,113	-		359,669
-	-	-	21,197	-	-		21,197
-	-	-	2,757	-	-		2,757
211,241	114,433	-	53,510	330,113	-		1,609,747
(55,358)	73,375	118	(53,390)	125,483	-		350,943
363,211	-	-	15,768	-	-		378,979
(104,781)	-	-	-	-	-		(236,302)
258,430	-	-	15,768	-	-		142,677
203,072	73,375	118	(37,622)	125,483	-		493,620
(203,072)	61,745	62,646	121,376	(92,304)	8,911		1,267,441
\$ -	\$ 135,120	\$ 62,764	\$ 83,754	\$ 33,179	\$ 8,911	\$	1,761,061

MCINTOSH COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Project Description	Original Costs	Estimated Costs	Expenditures		
			Prior Years	Current Year	Total
<u>2005 REFERENDUM</u>					
Fire Department Improvements	\$ 1,250,000	\$ 1,250,000	\$ 1,467,532	\$ -	\$ 1,467,532
Animal Shelter Improvements	60,000	60,000	51,983	5,900	57,883
Emergency Medical Improvements	625,000	625,000	569,706	-	569,706
Landfill Improvements	1,050,000	1,050,000	1,118,051	-	1,118,051
Recreational Facilities	1,040,000	1,040,000	568,362	-	568,362
County Roads and Bridges Improvements	2,675,000	2,675,000	2,528,681	-	2,528,681
City of Darien Projects	450,000	450,000	431,049	-	431,049
County Office Equipment Enhancements	115,000	115,000	215,019	23,656	238,675
Development Authority Projects	250,000	250,000	100,000	-	100,000
Jail Facility Improvements	675,000	675,000	525,253	-	525,253
Totals	\$ 8,190,000	\$ 8,190,000	\$ 7,575,636	\$ 29,556	\$ 7,605,192

Note: The difference between the above schedule and the Statement of Revenues, Expenditures and Changes in Fund Balances is due to equipment purchased through a capital lease being recognized in the year purchased. Payments of principal and interest made during the current year totaled \$23,954.

Project Description	Original Costs	Estimated Costs	Expenditures		
			Prior Years	Current Year	Total
<u>2010 REFERENDUM</u>					
Courthouse Improvements	\$ 221,455	\$ 221,455	\$ 221,456	\$ -	\$ 221,456
Animal Shelter Improvements	75,000	75,000	54,180	15,297	69,477
Elections Equipment	15,000	15,000	2,041	2,020	4,061
Emergency Medical Assistance Equipment	147,000	147,000	231,468	56,800	288,268
Emergency Medical Service Equipment	617,240	617,240	591,603	-	591,603
Landfill Equipment and Improvements	855,000	855,000	492,957	337,287	830,244
Leisure Services Equipment and Improvements	868,000	868,000	375,015	145,291	520,306
Roads and Bridges Improvements	2,151,305	2,151,305	1,108,444	124,526	1,232,970
Sheriffs Department Improvements	500,000	500,000	409,052	-	409,052
Volunteer Fire Equipment	780,000	780,000	245,368	19,000	264,368
Chamber of Commerce Projects	710,000	710,000	-	-	-
Development Authority Projects	660,000	660,000	70,110	-	70,110
Project Chamber of Commerce	710,000	710,000	-	310,147	310,147
City of Darien Projects	1,900,000	1,900,000	1,571,051	238,003	1,809,054
Totals	\$ 10,210,000	\$ 10,210,000	\$ 5,372,745	\$ 1,248,371	\$ 6,621,116

Note: The difference between the above schedule and the Statement of Revenues, Expenditures and Changes in Fund Balances is due to equipment purchased through a capital lease being recognized in the year purchased. Payments of principal and interest made during the current year totaled \$97,370.

MCINTOSH COUNTY, GEORGIA

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.

Jail Inmate Fund – This fund accounts for jail inmate funds while in custody, and for the purchase of items from the Jail Commissary and related activities on behalf of inmates and the correctional institution.

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

Clerk of Court
Probate-Magistrate Court

MCINTOSH COUNTY, GEORGIA

COMBINING ASSETS AND LIABILITES AGENCY FUNDS

SEPTEMBER 30, 2016

ASSETS	Tax Commissioner	Clerk of Courts	Probate - Magistrate Court	Sheriff	Jail Inmate	Total
Cash	\$ 307,488	\$ 341,187	\$ 39,236	\$ 13,321	\$ 382	\$ 701,614
Taxes receivable	932,818	-	-	-	-	932,818
Total assets	<u>\$ 1,240,306</u>	<u>\$ 341,187</u>	<u>\$ 39,236</u>	<u>\$ 13,321</u>	<u>\$ 382</u>	<u>\$ 1,634,432</u>
LIABILITIES						
Due to others	\$ 307,488	\$ 341,187	\$ 39,236	\$ 13,321	\$ 382	\$ 701,614
Uncollected taxes	932,818	-	-	-	-	932,818
Total liabilities	<u>\$ 1,240,306</u>	<u>\$ 341,187</u>	<u>\$ 39,236</u>	<u>\$ 13,321</u>	<u>\$ 382</u>	<u>\$ 1,634,432</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***

**To the Board of Commissioners
of McIntosh County, Georgia
Darien, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of McIntosh County, Georgia (the "County") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise McIntosh County, Georgia's basic financial statements and have issued our report thereon dated March 13, 2017. Our report includes a reference to other auditors who audited the financial statements of the McIntosh County Health Department, as described in our report on McIntosh 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 the County'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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-003, 2016-004 and 2016-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McIntosh 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-005.

McIntosh County, Georgia's Responses to Findings

McIntosh County, Georgia's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. McIntosh County, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 County'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
March 13, 2017

MCINTOSH COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2016

SECTION I
SUMMARY OF AUDITOR'S 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 ☐ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

Federal Awards

There was not an audit of major federal award programs as of September 30, 2016 due to the total amount expended being less than \$750,000.

MCINTOSH COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

2016 - 001. General Accounting Matters

Criteria: Internal control is a process designed to provide reasonable assurance about the achievement of an entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control is also a process of safeguarding assets against unauthorized acquisition, use, or disposition, and includes controls related to financial reporting and operations objectives. Generally accepted accounting principles require assets, liabilities, revenues and expenditures to be recognized in the accounting period in which they become both measurable (and available). Further, a fundamental principle in accounting and financial reporting is the notion of timely recognition and recording of financial and non-financial transactions and activities.

Condition: An inordinate amount of accounting, reporting and reconciling was not properly performed and reviewed during the fiscal year which required a significant number of journal entries after fieldwork began in order to close the County's 2016 fiscal year. Significant adjustments were determined and required to be recorded in the months that followed September 30, 2016. Further, and throughout the course of the audit process, we noted there was an overall lack of proper and adequate accounting on a timely basis. We noted deficiencies in timeliness, completeness, and accuracy. Specifically, we noted a lack of timely and accurate financial and non-financial information needed:

- to properly maintain general ledgers, subsidiary ledgers, and related reconciliations;
- to close-out and report activities, events and transactions on a periodic basis; and,
- to reconcile details and activities considered to be significant on a monthly basis.

The timing of performing audit procedures was substantial evidence of the lack of timely reporting, reconciling and reviewing of accounting efforts. Please consider the following:

- We were not able to begin the audit process at the Board of Commissioner's Office until January 16, 2016. This was primarily due to not receiving closed-out general ledgers.
- We did not receive all cash reconciliations and other various accounts receivable listings (for water, landfill, etc.) until the last week of field work.
- Close-out entries from the client were received during fieldwork procedures, thus creating the situation of auditing a moving target.

As part of the delay, we noted the untimely performance of reconciliations of subsidiary details to the respective general ledgers. Additionally, we noted certain errors to the respective reconciliations. Such reconciliations included accounts such as cash, receivables, payables, accruals, revenues, general expenditures and capital expenditures.

MCINTOSH COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 – 001. General Accounting Matters (Continued)

Context: We addressed this matter with County officials, who were able to ultimately determine the propriety (within a reasonable level of materiality) of all respective details and reconciliations as of and for the year ended September 30, 2016.

Effect: The ultimate effect of the above condition is the potential for errors and irregularities to occur and not be detected and corrected in a timely manner and the lack of reliable information for Commissioners and other interested parties to use when setting the millage rate or adopting budgets.

Recommendation: We recommend the County consider a variety of options to addressing the above condition. In no particular order, the County needs to look at the respective staffing of the accounting function, and determine if an adequate number of qualified people are currently available to address the condition. The County also needs to consider and evaluate its strengths and weaknesses relative to the accounting function, and take measures to address the concerns noted above with a goal of providing timely recording, reconciling and reporting of County operations and financial and non-financial activities.

We further recommend the County consider reinvesting in its accounting personnel by providing better technical education and training via participation in continuing education governmental accounting and financial reporting programs which are constantly available in the general geographic area of the County. Once certain levels of technical proficiency are observed by management, we further encourage the County to better cross-train the accounting personnel in an effort to make the accounting function a stronger and more capable accounting and finance department.

As a final recommendation, we recommend the County consider re-engineering the accounting processes with a goal of mitigating all concerns relative to a lack of segregation of duties and a general lack of timely accountability.

Views of Responsible Officials and Planned Corrective Action: We agree the County had issues with the way tasks were being performed. We are currently providing continuing education and recognize the importance of governmental finances. With the assistance of the Board of Commissioners, our goal is to address all matters noted by being proactive with evaluating our personnel and placing each of them in the most cost-effective roles.

MCINTOSH COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 002. Management of Accounts Receivable Accounts

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: The County did not properly record accounts receivable and amounts due from other governments in the Water Fund and the Nonmajor Funds as of September 30, 2016.

Context: See above condition.

Effect: Adjustments to increase accounts receivable in the amount of \$13,232, increase allowance for doubtful accounts by \$7,875, and increase revenues by \$5,357 were required to be recorded in the Water Fund. Adjustments to increase accounts receivable in the amount of \$10,643, increase due from other governments by \$51,101 and increase revenues by \$61,644 were required to be made in the Nonmajor Funds.

Cause: The County did not review all revenue transactions after year-end to determine reporting in the proper period.

Recommendation: We recommend the County establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

Views of Responsible Official and Planned Corrective Action: We concur. We will establish procedures to review all revenue transactions after year-end to determine reporting in the proper period.

2016 - 003. Management of Accounts Payable

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The County did not properly address the above criteria as of September 30, 2016 as it relates to accounts payable within the Sales Tax 2010 Fund and the Solid Waste Fund.

Context: We addressed this matter with County officials and they were able to determine the amount of accounts payable that should be recorded in these funds as of September 30, 2016.

MCINTOSH COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 - 003. Management of Accounts Payable (Continued)

An adjustment to increase accounts payable by \$37,181 and decrease expenditures in the same amount was required to be made in the Sales Tax 2010 Fund. An adjustment to decrease accounts payable in the amount of \$4,257 and decrease expenses in the same amount was required to be made in the Solid Waste Fund.

Cause: Reconciliations of accounts payable are not being performed on a monthly basis.

Recommendation: We recommend the County implement procedures to verify all expenditure/expense items are recorded in the proper period.

Views of Responsible Official and Planned Corrective Action: We concur. We will establish procedures to review all expenditure/expense transactions after year-end to determine reporting in the proper period.

2016 - 004. 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: There is not appropriate segregation of duties between recording, distribution and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the offices of the Clerk of Court, Probate-Magistrate Court, Law Library, and the operations of the Confiscated Assets Fund, Jail Fund and Jail Commissary Fund.

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

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

Cause: The lack of segregation of duties is due to the limited number of individuals in each office to perform all of the required duties.

Recommendation: The County should consider having checks and balances in place, so that if overlapping duties exist, an appropriate level of review is performed.

Views of Responsible Officials and Planned Corrective Action: We concur with the recommendation. Such segregation of duties will be implemented as soon as economically possible.

MCINTOSH COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2016 – 005. Special Purpose Local Option Sales Tax Proceeds

Criteria: In accordance with the Official Code of Georgia (OCGA) Section 48-8-121, Special Purpose Local Option Sales Tax Proceeds shall be used exclusively for the purpose or purposes specified in the resolution or ordinance calling for imposition of the tax. Such proceeds shall be kept in a separate account from all other funds of such County receiving proceeds of the sales and use tax and shall not be in any other manner commingled with other funds.

Condition: For the fiscal year ending September 30, 2016, the County did not comply with OCGA Section 48-8-121 by recording interfund transfers between the SPLOST funds.

Context: See above condition

Effect: By recording interfund transfers between the SPLOST funds, the County commingled the funds, therefore is not in compliance with state law.

Recommendation: We recommend the County record all Sales Tax Fund expenditures appropriately as they occur during the year and keep such proceeds separate from all other funds.

Views of Responsible Official and Planned Corrective Action: We concur with the finding. We will establish procedures to review all Sales Tax Fund transactions and record appropriately as they occur during the year.

MCINTOSH COUNTY, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SEPTEMBER 30, 2016

2015 - 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: There is not appropriate segregation of duties between recording, distribution and reconciliation of cash accounts and other operational functions in the various funds possessed by the County. This is especially prominent in the offices of the Clerk of Court, Probate-Magistrate Court, Law Library, Confiscated Assets Fund, Jail Fund and Jail Commissary Fund.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-004.

2015 - 002. Management of Accounts Receivable Accounts

Criteria: Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. As a part of these processes, the County should review all revenue transactions to determine reporting in the proper period.

Condition: The County did not properly record fees receivable in the Water Fund as of September 30, 2015.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-002.

2015 - 003. Management of Accounts Payable

Criteria: Generally accepted accounting principles require reporting of all current liabilities whose liquidation is expected to require the use of current assets when the goods have been received or services have been performed.

Condition: The County did not properly address the above criteria as of September 30, 2015 as it relates to accounts payable within the General Fund, Sales Tax 2010 Fund, Solid Waste Fund, and the Non-major Governmental Funds.

Auditee Response/Status: Unresolved – See current year financial audit finding 2016-003.

MCINTOSH COUNTY, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

SEPTEMBER 30, 2016

2015 - 004. Fund Balance / Net Position

Criteria: Internal controls should be in place to ensure that any prior year audit adjustments are properly posted and that fund balance / net position reconciles to the prior year's financial statement properly represent the financial position of the County's funds in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to detect misstatements in the reporting of equity balances of the County's funds as of the beginning of the period under audit.

Auditee Response/Status: The above finding was corrected for the fiscal year ended September 30, 2016.



March 24, 2017

McIntosh County Board of Commissioners
Attn: Mr. Patrick Zoucks, County Manager
1200 North Way
Darien, Georgia 31305

Dear Mr. Zoucks:

We are enclosing fifteen (15) copies of the Financial Report of McIntosh County, Georgia for the year ended September 30, 2016.

Please call me should you have any questions.

Sincerely,

MAULDIN & JENKINS, LLC

A handwritten signature in cursive script, appearing to read "Miller Edwards".

Miller Edwards

ME:kh
Enclosures