CANDLER COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Candler County, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Candler County, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Candler County Board of Health, a discretely presented component, which represents 2.5% and 1.2% respectively, of the assets and net position of Candler County, Georgia. We did not audit the financial statements of the Candler County Hospital Authority, a discretely presented component, which represents 36.5% and 33.3% respectively, of the assets and net position of Candler County, Georgia.

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 Candler County Board of Health, a discretely presented component, which represents 2.5% and 1.2% respectively, of the assets and net position of Candler County, Georgia. We did not audit the financial statements of the Candler County Hospital Authority, a discretely presented component, which represents 36.5% and 33.3% respectively, of the assets and net position of Candler County, Georgia. Those financial 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 Candler County Board of Health and the Candler County Hospital Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Candler County, Georgia, as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Candler County, Georgia's basic financial statements. The combining nonmajor fund financial statements and schedule of projects paid with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and schedule of projects paid with special 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 nonmajor fund financial statements and schedule of projects paid with special 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 January 24, 2018, on our consideration of Candler 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 Candler County, Georgia's internal control over financial reporting and compliance.

Lanier, Oad & Proctor

Statesboro, Georgia
January 24, 2018

CANDLER COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government	Component Units	
ASSETS	Governmental Activities	Candler County Board of Health	Candler County Hospital Authority
Current Assets:			
Cash	$ 5,693,220	$ 468,425	$ 116,210
Certificates of deposit	794,016	-	-
Receivables:			
Accounts	80,306	-	2,414,893
Taxes	865,159	-	-
Intergovernmental - Component Unit	1,324,793	-	
Intergovernmental	355,916	34,748	-
Other	37,331	-	-
Prepaid items	116,540	-	-
Supplies inventory	-	-	211,294
Other current assets	-	-	714,765
Noncurrent Assets:			
Externally restricted cash for debt service	-	-	12,376
Capital Assets:			
Nondepreciable capital assets	562,049	-	169,660
Depreciable capital assets, net	10,375,015	-	3,741,022
Total Assets	20,204,345	503,173	7,380,220
DEFERRED OUTFLOWS OF RESOURCES			
Proportionate share of collective deferred outflows of resources	-	87,987	-
LIABILITIES			
Current Liabilities:			
Accounts payable	387,681	-	6,449,621
Accrued payroll	62,179	-	-
Other accrued expenses	-	-	424,419
Unearned revenue	200	-	-
Compensated absences payable	27,896	9,801	-
Notes payable	25,000	-	2,032,105
Capital leases payable	99,166	-	-
Estimated third-party payor settlements	-	-	409,961
Long-Term Liabilities:			
Compensated absences payable (net of current portion)	111,583	9,801	-
Notes payable (net of current portion)	168,750	-	3,560,715
Capital leases payable (net of current portion)	312,166	-	-
Net pension obligation	-	367,506	-
Landfill closure and postclosure care costs	2,493,840	-	-
Total Liabilities	3,688,461	387,108	12,876,821
DEFERRED INFLOWS OF RESOURCES			
Proportionate share of collective deferred inflows of resources	-	5,648	-
NET POSITION			
Net investment in capital assets	10,331,982	-	2,702,395
Restricted for:			
Capital projects	1,899,868	-	-
Debt service	342,709	-	12,376
Other purposes	968,366	77,348	-
Unrestricted	2,972,959	121,056	(8,211,372)
Total Net Position	$ 16,515,884	$ 198,404	$ (5,496,601)

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Program/Function	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government Governmental Activities	Component Unit: Candler County Board of Health	Component Unit: Candler County Hospital Authority
Primary Government							
General government	$ 1,298,621	$ 107,763	$ 8,980	-	$ (1,181,878)		
Judicial	667,758	108,164	-	-	(559,594)		
Public safety	3,090,729	1,343,985	10,550	-	(1,736,194)		
Public works	2,951,164	821,380	164,649	$ 504,163	(1,460,972)		
Health and welfare	358,826	577,366	-	-	218,540		
Culture and recreation	391,566	72,867	84,000	341,926	107,227		
Housing and development	194,678	-	-	-	(194,678)		
Interest	17,337	-	-	-	(17,337)		
Total Governmental Activities - Primary Government	$ 8,970,679	$ 3,031,525	$ 268,179	$ 846,089	(4,824,886)		
Component Units:							
Candler County Board of Health	$ 436,375	$ 98,977	$ 322,067	-		$ (15,331)	-
Candler County Hospital Authority	15,598,300	13,189,290	163,359	$ 25,000		-	$ (2,220,651)
Total Component Units	$ 16,034,675	$ 13,288,267	$ 485,426	$ 25,000		(15,331)	(2,220,651)
		General Revenues					
		Property taxes levied for general purposes			2,940,277	-	-
		Sales taxes			2,211,919	-	-
		Insurance premium tax			369,287	-	-
		Other taxes			241,933	-	-
		Gain (loss) on disposal of capital assets			11,245	-	6,800
		Interest earned			8,707	-	13,321
		Miscellaneous			58,714	-	314,056
		Total General Revenues			5,842,082	-	334,177
		Change in Net Position			1,017,196	(15,331)	(1,886,474)
		Net Position, July 1, 2016, As Restated			15,498,688	213,735	(3,610,127)
		Net Position, June 30, 2017			$ 16,515,884	$ 198,404	$ (5,496,601)

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Special Sales Tax Fund	T-SPLOST Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	$ 3,076,216	$ 1,106,127	$ 683,119	$ 827,758	$ 5,693,220
Certificates of deposit	644,407	-	-	149,609	794,016
Receivables:					
Accounts	59,149	-	-	21,157	80,306
Taxes	865,159	-	-	-	865,159
Intergovernmental - Component Unit	1,324,793	-	-	-	1,324,793
Intergovernmental	125,451	106,803	123,457	205	355,916
Other	27,060	-	9,000	1,271	37,331
Due from other funds	-	37,950	17,465	-	55,415
Prepaid items	116,540	-	-	-	116,540
TOTAL ASSETS	$ 6,238,775	$ 1,250,880	$ 833,041	$ 1,000,000	$ 9,322,696
LIABILITIES					
Accounts payable	$ 171,994	$ 53,829	$ 130,224	$ 31,634	$ 387,681
Accrued payroll liabilities	62,179	-	-	-	62,179
Due to other funds	55,415	-	-	-	55,415
Unearned revenue	200	-	-	-	200
TOTAL LIABILITIES	289,788	53,829	130,224	31,634	505,475
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	710,760	-	-	-	710,760
FUND BALANCES					
Nonspendable	116,540	-	-	-	116,540
Restricted	257,586	1,197,051	702,817	968,366	3,125,820
Assigned	2,004,783	-	-	-	2,004,783
Unassigned	2,859,318	-	-	-	2,859,318
TOTAL FUND BALANCES	5,238,227	1,197,051	702,817	968,366	8,106,461
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 6,238,775	$ 1,250,880	$ 833,041	$ 1,000,000	$ 9,322,696

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:			
Total Governmental Fund Balances			$ 8,106,461
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:			
	Cost	$ 18,984,628	
	Less accumulated depreciation	(8,047,563)	10,937,065
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:			
	Property taxes		710,760
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net position:			
	Interfund receivables	$ 55,415	
	Interfund payables	(55,415)	-
Liabilities, including capital leases, notes payable, compensated absences and accrued landfill closure and postclosure care costs are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position			
	Capital leases payable	$ (411,332)	
	Notes payable	(193,750)	
	Landfill closure and postclosure care costs	(2,493,840)	
	Compensated absences	(139,479)	(3,238,401)
Net Position Of Governmental Activities			$ 16,515,885

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Sales Tax Fund	T-SPLOST Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 4,153,200	$ 1,338,442	$ 217,638	-	$ 5,709,280
Licenses and permits	61,524	-	-	-	61,524
Charges for services	2,353,003	-	-	$ 183,778	2,536,781
Fees, fines and forfeitures	289,776	-	-	15,150	304,926
Intergovernmental	266,430	-	105,062	377,240	748,732
Interest	4,824	3,861	2,406	1,476	12,567
Other	400,641	-	18,000	1,750	420,391
Total revenues	7,529,398	1,342,303	343,106	579,394	9,794,201
EXPENDITURES					
Current:					
General government	1,187,014	-	-	-	1,187,014
Judicial	662,940	-	-	1,988	664,928
Public safety	2,704,869	-	-	177,914	2,882,783
Public works	1,595,884	-	-	-	1,595,884
Health and welfare	358,826	-	-	-	358,826
Culture and recreation	728,448	-	-	-	728,448
Housing and development	194,437	-	-	-	194,437
Capital outlay	-	330,860	204,379	318,005	853,244
Debt service:					
Principal	65,240	96,251	-	-	161,491
Interest	4,962	12,375	-	-	17,337
Intergovernmental	-	588,914	-	-	588,914
Total expenditures	7,502,620	1,028,400	204,379	497,907	9,233,306
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	26,778	313,903	138,727	81,487	560,895
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	13,712	-	-	-	13,712
Proceeds from capital leases	-	-	-	-	-
Proceeds from notes payable	-	-	-	-	-
Transfers in	-	-	-	336,623	336,623
Transfers out	(336,623)	-	-	-	(336,623)
Total other financing sources (uses)	(322,911)	-	-	336,623	13,712
NET CHANGE IN FUND BALANCES	(296,133)	313,903	138,727	418,110	574,607
FUND BALANCES, JULY 1, 2016	5,534,360	883,148	564,090	550,256	7,531,854
FUND BALANCES, JUNE 30, 2017	$ 5,238,227	$ 1,197,051	$ 702,817	$ 968,366	$ 8,106,461

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net Changes In Fund Balances - Total Governmental Funds		$ 574,607
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 as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	$ (996,400)	
Capital outlay	1,211,575	215,175
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Property taxes:		
Unavailable revenue at 6/30/17	710,760	
Unavailable revenue at 6/30/16	(528,333)	182,427
Governmental funds do not report the cost of disposed capital assets but the cost is reported on the statement of activities.		(2,467)
Repayment of capital lease and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		161,491
Some expenses reported in the statement of activities, such as compensated absences and landfill closure and postclosure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	7,954	
Change in landfill closure and postclosure care costs	(121,991)	(114,037)
Change In Net Position of Governmental Activities		$ 1,017,196

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes:			
Property	$ 2,998,943	$ 2,886,142	$ (112,801)
Local option sales tax	616,078	655,839	39,761
Alcoholic beverage	94,371	101,429	7,058
Insurance premium	325,898	369,287	43,389
Other	114,556	140,503	25,947
Licenses and permits	69,635	61,524	(8,111)
Charges for services	2,046,718	2,353,003	306,285
Fees, fines and forfeitures	335,617	289,776	(45,841)
Intergovernmental	466,240	266,430	(199,810)
Interest	4,600	4,824	224
Other	55,305	400,641	345,336
Total revenues	7,127,961	7,529,398	401,437
EXPENDITURES			
Current:			
General government:			
Legislative	48,249	49,885	(1,636)
Executive	163,025	179,132	(16,107)
Elections	95,647	100,591	(4,944)
Financial administration	202,997	319,462	(116,465)
Tax commissioner	240,127	236,375	3,752
Tax assessor	258,160	253,228	4,932
Equalization	2,000	180	1,820
Public buildings	55,029	48,161	6,868
Total general government	1,065,234	1,187,014	(121,780)
Judicial:			
Superior Court	189,383	184,709	4,674
Clerk of Court	168,716	171,217	(2,501)
State Court	114,114	117,185	(3,071)
Magistrate Court	97,073	83,954	13,119
Probate Court	110,873	105,875	4,998
Total judicial	680,159	662,940	17,219
Public safety:			
Sheriff	995,349	932,604	62,745
Detention center	608,551	577,271	31,280
School drug program	7,500	684	6,816
Fire protection	175,000	175,000	-
Emergency medical service	1,059,660	987,045	72,615
Coroner	20,186	17,849	2,337
Animal control	-	2,083	(2,083)
Emergency management	13,592	12,333	1,259
Total public safety	2,879,838	2,704,869	174,969

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES (Continued)			
Public works:			
Roads and bridges	$ 1,278,950	$ 936,521	$ 342,429
Solid waste	807,003	659,363	147,640
Total public works	2,085,953	1,595,884	490,069
Health and welfare:			
Health department	54,000	50,118	3,882
Hospital	68,007	278,794	(210,787)
Public education	8,000	8,000	-
Community services	16,800	15,914	886
Family and children services	6,000	6,000	-
Total health and welfare	152,807	358,826	(206,019)
Culture and recreation:			
Recreation department	377,227	678,805	(301,578)
Community center	-	3,333	(3,333)
Library	44,410	46,310	(1,900)
Total culture and recreation	421,637	728,448	(306,811)
Housing and development:			
Conservation	9,370	9,369	1
Agricultural resources	97,771	89,455	8,316
Economic development	69,009	67,635	1,374
Airport	16,528	16,528	-
Code enforcement	11,097	11,450	(353)
Total housing and development	203,775	194,437	9,338
Debt service:			
Principal	33,990	65,240	(31,250)
Interest	914	4,962	(4,048)
Total debt service	34,904	70,202	(35,298)
Total expenditures	7,524,307	7,502,620	21,687
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(396,346)	26,778	423,124
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	13,712	13,712
Transfers out	-	(336,623)	(336,623)
Total other financing sources (uses)	-	(322,911)	(322,911)
NET CHANGE IN FUND BALANCE	$ (396,346)	(296,133)	$ 100,213
FUND BALANCE, BEGINNING OF YEAR		5,534,360	
FUND BALANCE, END OF YEAR		$ 5,238,227	

See accompanying notes to the basic financial statements.

CANDLER COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

ASSETS	
Cash	$ 535,207
LIABILITIES	
Due to other entities and individuals	$ 535,207

See accompanying notes to the basic financial statements.

Candler County, Georgia (the "County") operates under a Commissioner – County Administrator form of Government. The County is governed by a board of five commissioners elected by the voters of the County.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the County's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County.

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

The component unit columns included on the government-wide financial statements identify the financial data of the County's discretely presented component units. They are reported separately to emphasize that they are legally separate from the County.

A brief description of the County's discretely presented component units follows:

Candler County Board of Health – The Candler County Board of Health provides health care services and health education to residents of Candler County. The Health Department receives financial support from Candler County, Georgia, the State of Georgia and the Federal Government. The County Commission appoints a majority of the Board of Directors. Complete financial statements for the Candler County Board of Health can be obtained from their administrative office at:

Candler County Board of Health
428 North Rountree Street
Metter, Georgia 30439

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Candler County Hospital Authority (The Hospital Authority) - The Candler County Hospital Authority was created in November, 1958 by the Board of Commissioners of Candler County to operate, control, and manage all matters concerning the County's health care functions. The Hospital Authority operates Candler County Hospital, a critical access hospital. The County nominates the Board of Trustee members of the Hospital Authority and the County has guaranteed some debt of the Hospital Authority. The Hospital Authority issued audited financial statements with a fiscal year ended December 31, 2016. Copies of these financial statements may be obtained from their administrative office at:

Candler County Hospital Authority
400 Cedar Street
Metter, Georgia 30439

1-B. Basis of Presentation

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

Government-wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Fiduciary activities are not included at the government-wide reporting level. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes, grants and the County's general revenues, from business-type activities, generally financed in whole or part with service charges to external customers. The County had no business-type activities at June 30, 2017.

The statement of net position presents the financial position of the governmental and business-type activities of the County and its discretely presented component units.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted.*

Other revenue sources not properly included with program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental and fiduciary funds.

Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Fiduciary funds are reported by type.

Fund Accounting – The County uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The County uses governmental and fiduciary funds.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between governmental fund assets and liabilities as fund balance. The following are the County's major governmental funds:

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

Special Sales Tax Fund – This capital projects fund accounts for the special purpose local option sales tax collected pursuant to a referendum for various capital improvements within the County.

T-SPLOST Fund – This capital projects fund accounts for the regional transportation special purpose local option sales tax proceeds received for transportation purposes within the County.

Fiduciary Funds –The County's fiduciary funds are agency funds. These agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Constitutional officers use these funds to temporarily hold assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1-C. Measurement Focus

Government-wide Financial Statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net position. The statement of activities reports revenues and expenses.

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

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

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue – Non-exchange Transactions – Non-exchange transactions in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes, interest and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Net Position

Cash, Cash Equivalents, and Investments

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

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the County to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or United States Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable. At June 30, 2017, the General Fund reported an allowance for uncollectibles of $87,867 and $444,468 for the property taxes receivable and EMS accounts receivable, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Included in receivables at June 30, 2017 is an intergovernmental receivable from the Candler County Hospital Authority, a component unit, for $1,324,793.

Consumable Inventories

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used (i.e., the consumption method).

Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds." These amounts are eliminated in the governmental and business-type activities columns on the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances on this statement. These amounts are ultimately eliminated from the total column on the statement of net position.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

Capital Assets

The County reports general capital assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the County fund financial statements.

All capital assets with an estimated useful life in excess of two years are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of one thousand dollars. The County's infrastructure consists of roads and bridges. For roads and bridges, the County has capitalized only infrastructure constructed after June 30, 2003. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings	15-50 years
Improvements other than buildings	10-40 years
Machinery and equipment	4-15 years
Infrastructure	15 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

Compensated Absences

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

The total compensated absences liability is reported on the government-wide financial statements. Governmental funds report the compensated absences liability at the fund reporting level only "*when due.*"

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Notes payable and capital leases are recognized as a liability in the governmental fund financial statements when due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 does not have any deferred outflows of resources as of June 30, 2017. It does have a component unit that has deferred outflows of resources related to pensions on the statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has an item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue,*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County has a component unit that has deferred inflows of resources related to pensions on the statement of net position.

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 current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e. items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution or ordinance. Only the Board of Commissioners may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the Board of Commissioners' intent to be used for specific purposes, but are neither restricted nor committed. Only the Board of Commissioners can 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.

The County's policy is to maintain an adequate general fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental funds on the government-wide statement of activities are eliminated.

Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The County adopts an annual operating budget for the general fund and capital projects funds. The budget resolution reflects the total of each department's appropriation in each fund.

All budgets are adopted on a basis consistent with GAAP.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the Board of Commissioners.

During the year, the Board of Commissioners had no budget revisions.

All unexpended annual appropriations lapse at year-end.

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations for the year ended June 30, 2017 in the following departments for the general fund:

	General Fund
Legislative	$ 1,636
Executive	16,107
Elections	4,944
Financial administration	116,465
Clerk of court	2,501
State court	3,071
Animal control	2,083
Hospital	210,787
Recreation department	301,578
Community center	3,333
Library	1,900
Code enforcement	353
Debt Service - Principal	31,250
Debt Service - Interest	4,048

The overexpenditures in these areas were funded by underexpenditures in other areas.

NOTE 3 – DEPOSITS

Custodial credit risk is risk that, in the event of a bank failure, the County's deposits may not be returned to it. The County has a policy to reduce its exposure to this risk by requiring deposits to be collateralized in accordance with State law.

At June 30, 2017, the carrying amount of the County's deposits (checking and certificates of deposit) was $7,022,443 and the bank balance was $7,003,935. Of the bank balance, $800,551 was covered by federal depository insurance and $6,203,384 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

Discretely Presented Component Units

The carrying amount of deposits for the Candler County Hospital Authority was $128,586. All bank balances were insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority.

The carrying amount of deposits for the Candler County Board of Health was $468,425 and the bank balance was $469,118, which was covered by FDIC insurance.

NOTE 4 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are billed on or about October 20th of each year and are payable within sixty days. The County bills and collects its own property taxes and also collects taxes for the Candler County Board of Education, State of Georgia and cities within the County. Collection of the County's taxes and for the other government agencies is the responsibility of the Tax Commissioner's Office, which is accounted for in an Agency Fund.

County property tax revenues at the fund reporting level are recognized when levied to the extent that they result in current receivables (i.e., collectible in 60 days). For the year ended June 30, 2017, property taxes were levied on November 29, 2016, and were due March 10, 2017.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
Special Sales Tax Fund	General Fund	$ 37,950
T-SPLOST Fund	General Fund	17,465
Total		$ 55,415

Interfund balances at June 30, 2017 represent reimbursable expenses and temporary loans. The County expects to repay all interfund balances within one year.

Interfund transfers during the year ended June 30, 2017 consisted of $35,598 from the General Fund to establish the Drug Abuse Treatment and Education Fund and $301,025 from the General Fund to establish the Local Maintenance and Improvement Grant Fund.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 07/01/16	Additions	Deductions	Balance 06/30/17
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 141,582	-	-	$ 141,582
Construction in progress	463,228	$ 420,467	$ 463,228	420,467
Total capital assets not being depreciated	604,810	420,467	463,228	562,049
Capital assets being depreciated:				
Buildings and improvements	7,064,159	383,845	-	7,448,004
Machinery and equipment	5,550,256	338,023	130,909	5,757,370
Infrastructure	1,661,566	565,968	-	2,227,534
Land improvements	2,989,671	-	-	2,989,671
Total capital assets being depreciated	17,265,652	1,287,836	130,909	18,422,579
Total capital assets	17,870,462	1,708,303	594,137	18,984,628
Accumulated depreciation:				
Buildings and improvements	2,297,446	159,182	-	2,456,628
Machinery and equipment	2,654,529	571,294	94,942	3,130,881
Infrastructure	107,880	127,568	-	235,448
Land improvements	2,086,251	138,356	-	2,224,607
Total accumulated depreciation	7,146,106	996,400	94,942	8,047,564
Governmental activities capital assets, net	$ 10,724,356	$ 711,903	$ 499,195	$ 10,937,064

Governmental activities depreciation expense:

General government	$ 109,964
Judicial	1,021
Public safety	231,310
Public works	644,501
Housing and development	241
Culture and recreation	9,363
Total governmental activities depreciation expense	$ 996,400

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the County's component units was as follows:

	Balance 7/1/2016	Additions	Deductions	Balance 6/30/2017
Component unit - Candler County Board of Health:				
Capital assets being depreciated:				
Equipment	$ 8,636	-	-	$ 8,636
Accumulated depreciation:				
Equipment	8,636	-	-	8,636
Component unit capital assets, net	$ -	-	-	$ -

	Balance 1/1/2016	Additions	Deductions	Balance 12/31/2016
Component unit - Candler County Hospital Authority:				
Capital assets not being depreciated:				
Land	$ 168,940	-	-	$ 168,940
Deposit on assets	64,398	-	-	64,398
Construction in progress	2,720	$ 100,135	$ 102,135	720
Total capital assets not being depreciated	236,058	100,135	102,135	234,058
Capital assets being depreciated:				
Land improvements	148,884	-	-	148,884
Buildings	6,706,959	101,900	-	6,808,859
Equipment	9,549,182	299,506	104,168	9,744,520
Total capital assets being depreciated	16,405,025	401,406	104,168	16,702,263
Total capital assets	16,641,083	501,541	206,303	16,936,321
Less accumulated depreciation	12,285,874	779,535	104,168	12,961,241
Component unit capital assets, net	$ 4,355,209	$ (277,994)	$ 102,135	$ 3,975,080

NOTE 7 – CAPITAL LEASES

The County has entered into lease agreements as lessee for financing the acquisition of equipment costing $955,583. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. Amortization of the cost of the equipment is included in depreciation expense in the government-wide financial statements. Depreciation expense and accumulated depreciation on the leased equipment was $136,512 and $224,351, respectively, for the year ended June 30, 2017.

The following is a schedule of future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2017:

Year ending June 30	
2018	$ 108,627
2019	108,627
2020	108,626
2021	108,626
Total minimum lease payments	434,506
Less amount representing interest	23,174
Present value of future minimum lease payments	$ 411,332

NOTE 8 – SHORT TERM NOTE PAYABLE

In December 2016, the $1,500,000 line of credit from Queensborough National Bank and Trust Company secured by the County to provide additional funds to the Candler County Hospital Authority came due and the County secured a new line of credit for $1,500,000. As of June 30, 2017, $0 was drawn on the line of credit. All line of credit draws and accrued interest are to be repaid by the Candler County Hospital Authority. As of June 30, 2017, the County has an intergovernmental receivable of $1,324,793 from the Candler County Hospital Authority for previous advances made to the Hospital Authority. The line of credit has an interest rate of 4.25% and a maturity date of December 31, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Note payable	$ 1,000	$ 296,000	$ 297,000	$ -

NOTE 9 – NOTES PAYABLE

Notes payable at June 30, 2017 consisted of the following:

Note payable to OneGeorgia Authority for the construction of the Agricultural Regional Resources Construction Building, payable in quarterly installments of $6,250 with 0% interest through July 1, 2025	$ 193,750

As of June 30, 2017, annual debt service requirements to maturity are as follows:

Year ending June 30	Governmental Activities		
	Principal	Interest	Total
2018	$ 25,000	-	$ 25,000
2019	25,000	-	25,000
2020	25,000	-	25,000
2021	25,000	-	25,000
2022	25,000	-	25,000
2023 - 2025	68,750	-	68,750
Total	$ 193,750	-	$ 193,750

NOTE 9 – NOTES PAYABLE (Continued)

Component Unit - Candler County Hospital Authority

Notes payable at December 31, 2016 consisted of the following:

Note payable to Candler County, Georgia, incurring interest at the imputed rate of 4.00%, unsecured.	$1,324,751
Revenue Anticipation Certificate, Series 2013A with Queensborough National Bank dated November 5, 2013. Payable in 60 monthly payments of approximately $9,000, including interest at the fixed rate of 2.90%. Secured by the net revenues of the Authority.	201,394
Taxable Note, Series 2014 with Queensborough National Bank dated December 17, 2014. Payable in 120 monthly payments of approximately $35,000 including interest at the fixed rate of 4.15% through January 2017. Beginning with the February 2017 payment, interest will be accrued at the *Wall Street Journal* prime rate, plus 0.50%, adjusted daily. Secured by property of the Authority.	2,879,782
Note Payable to Partnersfirst Management, LLC dated December 31, 2013. As of December 31, 2016, the Authority was in default under the note agreement due to not making the scheduled payments and held the position that the Authority should not pay the balance due to alleged mismanagement by Partnersfirst. Partnersfirst filed suit against the Authority in an attempt to collect the outstanding balance on the note. In July 2017, the suit was settled for $180,000, payable by a lump sum of $50,000 at the time of settlement, and 26 monthly payments of $5,000 at 0% interest.	180,000
Prommissory Note to United States Department of Agriculture (USDA) dated March 17, 2014 with an outstanding balance of $697,951. Payable in 120 monthly payments of approximately $10,000 including interest at the fixed rate of 3.50%, secured by a pledge of various medical equipment.	697,951
Capital lease obligations, at varying rates of imputed interest from 5.99% to 8.86%, collateralized by leased equipment with an unamortized cost of approximately $467,000.	308,942
	$5,592,820

NOTE 9 – NOTES PAYABLE (Continued)

Annual debt service requirements to maturity are as follows:

Year ending	Component Unit - Hospital Authority		
December 31	Principal	Interest	Total
2017	$2,032,105	$159,403	2,191,508
2018	667,773	133,224	800,997
2019	515,901	109,536	625,437
2020	489,729	89,377	579,106
2021	503,831	68,434	572,265
2022-2026	1,383,481	87,381	1,470,862
Total	$5,592,820	$647,355	$6,240,175

NOTE 10 – LANDFILL CLOSURE AND POST CLOSURE CARE COST

State and federal laws and regulations require that the County place a final cover on its landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. Although most closure and post closure care costs will be paid near or after the date the landfill stops accepting waste, the County reports a portion of the closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. As of June 30, 2017, the estimated liability for landfill closure and post closure care costs is $2,493,840 and consists of the closure cost for Phase One of the landfill, closure cost for the C&D landfill, and closure and post closure costs for Phase Two of the landfill. The County will recognize the remaining estimated cost of closure and post closure care of approximately $1,012,079 for the operating landfill as the remaining estimated capacity is filled. Used capacity for the operating Phase Two landfill is estimated to be 67.97% with an estimated remaining useful life of 12 years. All estimates are subject to change due to inflation or deflation, technology or changes in laws or regulations. The County has invested funds in a Certificate of Deposit and separate bank account for the landfill closure and post closure care costs with a standard amount being contributed quarterly to the bank account.

NOTE 11 – CHANGES IN LONG-TERM DEBT

Governmental Activities:	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due In One Year
Compensated absences payable	$ 147,434	-	$ 7,955	$ 139,479	$ 27,896
Landfill closure & post closure care costs	2,371,849	$ 121,991	-	2,493,840	-
Capital leases payable	507,583	-	96,251	411,332	99,166
Notes payable	258,989	-	65,239	193,750	25,000
Total Governmental Activities	$ 3,285,855	$ 121,991	$ 169,445	$ 3,238,401	$ 152,062

The compensated absences liability will be paid from the General Fund, the fund from which the employees' salaries are paid. The capital lease obligations will be paid from the Special Sales Tax capital projects fund, and the notes payable will be paid from the General Fund. The landfill closure and post closure care costs will be paid from the General Fund.

NOTE 11 – CHANGES IN LONG-TERM DEBT (Continued)

Component Unit – Candler County Board of Health

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due In One Year
Compensated absences	$ 17,535	$ 10,835	$ 8,768	$ 19,602	$ 9,801

Component Unit - Candler County Hospital Authority

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Amounts Due In One Year
Notes payable	$ 6,150,534	$ 215,000	$ 772,714	$ 5,592,820	$ 2,032,105

NOTE 12 – FUND BALANCES – GOVERNMENTAL FUNDS

As of June 30, 2017, governmental fund balances are composed of the following:

	General Fund	Special Sales Tax Fund	T-SPLOST Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid items	$ 116,540	-	-	-	$ 116,540
Restricted:					
E-911	-	-	-	$ 464,787	464,787
Roads	-	-	$ 702,817	360,345	1,063,162
Jail store	-	-	-	84,932	84,932
Law library	-	-	-	14,246	14,246
Drug education	-	-	-	44,056	44,056
Hospital debt service	257,586	-	-	-	257,586
Capital projects	-	$1,197,051	-	-	1,197,051
Total restricted	257,586	1,197,051	702,817	968,366	3,125,820
Assigned:					
Landfill closure and post closure care costs	1,548,895	-	-	-	1,548,895
Subsequent year's budget	455,888	-	-	-	455,888
Total assigned	2,004,783	-	-	-	2,004,783
Unassigned	2,859,318	-	-	-	2,859,318
Total fund balances	$ 5,238,227	$1,197,051	$ 702,817	$ 968,366	$ 8,106,461

NOTE 13 – EMPLOYEE RETIREMENT PLANS

Probate Judges' Retirement Fund of Georgia

The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses be remitted to the state sponsored pension plan.

Clerk of Superior Court Retirement Fund

The Clerk of Superior Court is covered under a pension plan which requires that certain sums from fees and fines or bond forfeitures be remitted to the state sponsored pension plan.

Sheriff's Retirement Fund/Peace Officers' Annuity and Benefit Fund

The Sheriff and sheriff deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Magistrate Court and Clerk of Superior Court to the state sponsored pension plans.

Georgia Judicial Retirement System

This system provides retirement benefits for Superior Court Judges, District Attorneys, State Court Judges, Solicitors-General of the State Courts, and Juvenile Court Judges.

Employee's Retirement System of Georgia

Candler County tax officials are covered under this retirement plan.

Candler County Board of Health (component unit)

The employees of the Candler County Board of Health participate in the Georgia State Employees Retirement System (ERS). The plan is administered by the State of Georgia. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov. The retirement contributions for the year ended June 30, 2017 were $44,652. Contributions are fully vested to employees after 10 years of continuous service.

At June 30, 2017, the Board of Health reported $367,506 as a liability for its proportionate share of the net pension liabilities. For the year ended June 30, 2017, the Board of Health recognized pension expense of $36,580.

Candler County Hospital Authority (component unit)

The Candler County Hospital Authority maintains a defined contribution retirement plan covering substantially all full–time employees. Employees are immediately vested 100% in all funds under the plan. Matching contributions have been suspended by the Authority. The contributions made by the Authority for the year ended December 31, 2016 were $0. The Authority had no outstanding liability related to the plan at December 31, 2016.

NOTE 13 – EMPLOYEE RETIREMENT PLANS (Continued)

The Authority has also established a deferred compensation plan that is offered to limited employees. The Authority makes no matching contributions and employees are immediately 100% vested in all funds under the plan. As of December 31, 2016, the Authority had no outstanding liability related to the plan.

NOTE 14 – 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; injuries to employees; and natural disasters. The County has joined together with other counties in the state as part of the Association of County Commissioners of Georgia (ACCG) Interlocal Risk Management Agency Property and Liability Insurance Fund and the Association of County Commissioners of Georgia (ACCG) Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management insurance program for member local governments.

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

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

Settled claims in the past three years have not exceeded the coverages.

NOTE 15 – CONTINGENCIES

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County attorney, the resolution of these matters probably will not have a material adverse effect on the financial condition of the County.

On November 5, 2013, the Candler County Hospital Authority sold a Series 2013A Revenue Anticipation Certificate for $502,500 to Queensborough National Bank and Trust Company. The Revenue Anticipation Certificate, which has an interest rate of 2.9%, will be repaid in monthly installments beginning in December 2013 and ending in November 2018. Payment of principal, interest and premium, if any, will be made from the net revenues of the Candler County Hospital Authority. Proceeds from the Revenue Anticipation Certificate was utilized for issuance costs and improvements at the Candler County Hospital.

On December 17, 2014, the Candler County Hospital Authority issued a Series 2013B Taxable Note to repay other notes and obligations as well as cover issuance costs. It has an interest rate of 4.15% and will be paid with the Candler County Hospital Authority's general revenues over 120 months. Both the Series 2013A Revenue Anticipation Certificate and Series 2013B Taxable Note are also secured by an intergovernmental agreement

NOTE 15 – CONTINGENCIES (Continued)

between the Candler County Hospital Authority and the County. As part of the intergovernmental agreement, the County guarantees to pay to the Authority an amount equal to the deficit of the Candler County Hospital Authority's net revenues or general funds compared to the payments due on the certificate and/or note. Further, the County has agreed to levy taxes on taxable property within the County up to six mills should it be required to do so.

Candler County Hospital Authority (component unit) – Going Concern

The Authority reported a decrease in net position the last five years including decreases of $1,886,474 and $796,551 in 2016 and 2015, respectively. The Authority has a net position deficiency (liabilities exceed assets) of $5,496,601 at December 31, 2016. The Authority's current liabilities exceed its current assets by $5,858,944 at December 31, 2016. These issues raise substantial doubt about the Authority's ability to continue as a going concern. The Authority's plans to improve its financial position are as follows:

Financial Support from Candler County
Effective January 1, 2017, Candler County began subsidizing the Authority's long-term debt obligations to Queensborough National Bank through the implementation of a $90 per parcel fee for landowners in Candler County. Candler County and the Authority are continuing negotiations for other support opportunities for the Hospital.

Long-Term Debt Consolidation
The Authority is actively seeking funding to refinance outstanding debt through the USDA in an effort to consolidate and extend the repayment periods of current debt and to reduce the current annual debt service obligations.

Managed Care Contract Negotiations
The Authority is currently negotiating the current payment agreements with commercial insurance carriers in an effort to increase the reimbursement received for services rendered. The Authority successfully renegotiated the payment agreement with Blue Cross Blue Shield effective July 1, 2017.

Physician Recruitment and Community Needs
In 2016, the Authority recruited three new specialists to provide outpatient and surgical care at the facility. The Authority continues recruitment efforts to attract physicians, particularly primary care providers, that are currently needed in the community. Also, management continues to work with surrounding area hospitals to increase swing-bed referrals.

Georgia Rural Hospital Tax Credit Program
The Hospital is actively participating in the Georgia Rural Hospital Tax Credit Program by educating and engaging employees, community members, and local businesses to contribute to the Hospital. As of July 31, 2017, Candler County Hospital has received approximately $137,000 in donations.

NOTE 16 – JOINT VENTURE

Under Georgia law, the County, in conjunction with other cities and counties in the seventeen county East Middle Georgia area, is a member of the Heart of Georgia Altamaha Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2017, the County paid $6,868 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-33 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from:

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

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Candler County Hospital Authority (component unit)

The beginning net position was restated in the amount of $137,448 for correction of errors. Net patient service revenue was decreased by $128,999 due to an error in recording the estimated 2014 and 2015 Medicaid cost report settlements. Other revenue was decreased by $92,481 to write-off a receivable balance originally recorded for Electronic Health Records income that was received prior to 2015. Depreciation and amortization expense was increased by $36,649 to account for the write-off of the outstanding deferred financing costs in accordance with GASB No. 65. Other operating expense was increased by $59,319 to account for expenses incurred but not reported.

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events were evaluated through January 24, 2018, which is the date the financial statements were available to be issued.

CANDLER COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Drug Abuse Treatment and Education Fund	E-911 Fund	Jail Store Fund	Law Library	Local Maintenance and Improvement Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash	$ 43,851	$ 297,828	$ 80,196	$ 14,246	$ 391,637	$ 827,758
Certificate of deposit	-	149,609	-	-	-	149,609
Receivables:						
Accounts	-	16,421	4,736	-	-	21,157
Intergovernmental	205	-	-	-	-	205
Interest	-	1,271	-	-	-	1,271
TOTAL ASSETS	$ 44,056	$ 465,129	$ 84,932	$ 14,246	$ 391,637	$ 1,000,000
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	-	$ 342	-	-	$ 31,292	$ 31,634
Total liabilities	-	342	-	-	31,292	31,634
Fund balance:						
Restricted	$ 44,056	464,787	$ 84,932	$ 14,246	360,345	968,366
Total fund balance	44,056	464,787	84,932	14,246	360,345	968,366
TOTAL LIABILITIES AND FUND BALANCE	$ 44,056	$ 465,129	$ 84,932	$ 14,246	$ 391,637	$ 1,000,000

CANDLER COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Drug Abuse Treatment and Education Fund	E-911 Fund	Jail Store Fund	Law Library	Local Maintenance and Improvement Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Charges for services	-	$ 160,245	$ 23,533	-	-	$ 183,778
Fees, fines and forfeitures	$ 8,323	-	-	$ 6,827	-	15,150
Intergovernmental	-	-	-	-	$ 377,240	377,240
Interest	-	1,391	-	-	85	1,476
Other	1,750	-	-	-	-	1,750
Total revenues	10,073	161,636	23,533	6,827	377,325	579,394
EXPENDITURES						
Current:						
Public safety	1,615	144,670	31,629	-	-	177,914
Judicial	-	-	-	1,988	-	1,988
Capital outlay	-	-	-	-	318,005	318,005
Total expenditures	1,615	144,670	31,629	1,988	318,005	497,907
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,458	16,966	(8,096)	4,839	59,320	81,487
OTHER FINANCING SOURCES						
Transfers in	35,598	-	-	-	301,025	336,623
NET CHANGE IN FUND BALANCE	44,056	16,966	(8,096)	4,839	360,345	418,110
FUND BALANCE, JULY 1, 2016	-	447,821	93,028	9,407	-	550,256
FUND BALANCE, JUNE 30, 2017	$ 44,056	$ 464,787	$ 84,932	$ 14,246	$ 360,345	$ 968,366

CANDLER COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	Tax Commissioner	Probate Court	Clerk of Courts	Magistrate Court	Sheriff	Totals
ASSETS						
Cash	$ 443,522	$ 1,944	$ 24,582	$ 14,634	$ 50,525	$ 535,207
LIABILITIES						
Due to other entities and individuals	$ 443,522	$ 1,944	$ 24,582	$ 14,634	$ 50,525	$ 535,207

CANDLER COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Tax Commissioner				
Assets				
Cash	$ 324,131	$ 9,951,411	$ 9,832,020	$ 443,522
Liabilities				
Due to other entities and individuals	$ 324,131	$ 9,951,411	$ 9,832,020	$ 443,522
Probate Court				
Assets				
Cash	$ 2,132	$ 70,460	$ 70,648	$ 1,944
Liabilities				
Due to other entities and individuals	$ 2,132	$ 70,460	$ 70,648	$ 1,944
Clerk of Courts				
Assets				
Cash	$ 123,306	$ 561,836	$ 660,560	$ 24,582
Liabilities				
Due to other entities and individuals	$ 123,306	$ 561,836	$ 660,560	$ 24,582
Magistrate Court				
Assets				
Cash	$ 16,892	$ 106,393	$ 108,651	$ 14,634
Liabilities				
Due to other entities and individuals	$ 16,892	$ 106,393	$ 108,651	$ 14,634
Sheriff				
Assets				
Cash	$ 67,400	$ 45,478	$ 62,353	$ 50,525
Liabilities				
Due to other entities and individuals	$ 67,400	$ 45,478	$ 62,353	$ 50,525
Total Agency Funds				
Assets				
Cash	$ 533,861	$ 10,735,578	$ 10,734,232	$ 535,207
Liabilities				
Due to other entities and individuals	$ 533,861	$ 10,735,578	$ 10,734,232	$ 535,207

CANDLER COUNTY, GEORGIA
SCHEDULE OF PROJECTS PAID
WITH SPECIAL SALES TAX PROCEEDS
FOR THE YEAR ENDED JUNE 30, 2017

2011 Special Sales Tax

Project	Original Estimated Cost	Current Estimated Cost	Expenditures			Estimated Percentage of Completion
			Prior Years	Current Year	Total	
Public buildings projects	$ 575,000	$ 575,000	$ 169,561	$ 15,078	$ 184,639	32%
Recreation department projects	260,000	260,000	204,502	771	205,273	79%
Retirement of prior year debt	303,320	306,502	306,502	-	306,502	100%
Public works projects	15,000	15,000	-	559	559	4%
Road maintenance/improvements	469,930	469,930	22,000	-	22,000	5%
New equipment	2,408,750	2,408,750	1,475,213	423,077	1,898,290	79%
City of Metter	2,880,000	2,880,000	2,181,300	535,377	2,716,677	94%
Town of Pulaski	288,000	288,000	218,120	53,538	271,658	94%
	$ 7,200,000	$ 7,203,182	$ 4,577,198	$ 1,028,400	$ 5,605,598	78%

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

To the Board of Commissioners
Candler County, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Candler County, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Candler County's basic financial statements and have issued our report thereon dated January 24, 2018. Our report includes a reference to other auditors who audited the financial statements of the Candler County Board of Health and the Candler County Hospital Authority, as described in our report on Candler 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 Candler County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Candler County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Candler County, Georgia's internal control.

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

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

2017-1 Tax Commissioner's Office – Unidentified funds

The Tax Commissioner's Office has accumulated approximately $119,000 of unidentified funds from prior years. Staff members should try to identify the sources of these accumulated funds and determine how the funds should be distributed or seek direction from the County attorney on how to disburse the unidentified funds.

County Response: We concur with this finding and the Tax Commissioner's Office personnel will try to determine the source of these funds and how they should be disbursed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Candler County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described below.

2017-2 Budgets

The County did not adopt budgets for its special revenue funds for the year ended June 30, 2017. State law requires an annual budget for all special revenue funds.

County Response: We concur with this finding and we will begin adopting annual budgets for all special revenue funds.

2017-3 Interfund balance due from General Fund to Special Sales Tax Fund

At June 30, 2017 the general fund owed the special sales tax (SPLOST) fund $37,950. SPLOST funds are not to be commingled with other funds of the County.

County Response: We concur with this finding and we will reimburse the special sales tax fund in the current fiscal year.

Candler County, Georgia's Response to Findings

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

Purpose of this Report

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

Lanier, Daal & Proctor

Statesboro, Georgia
January 24, 2018