TALBOT COUNTY, GEORGIA

FINANCIAL STATEMENTS

Year Ended June 30, 2014

AJK

TALBOT COUNTY, GEORGIA
FINANCIAL STATEMENTS
Year Ended June 30, 2014

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TALBOT COUNTY, GEORGIA
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AJK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Talbot County
Talbotton, Georgia 31827

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Georgia, as of and for the year ended June 30, 2014, 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 Talbot County Department of Public Health which is a component unit and 17 percent, 15 percent, and 91 percent, respectively of the assets, net position and revenues of the component units.

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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Talbot County Department of Public Health, which represent 17 percent, 15 percent, and 91 percent, respectively, of the assets, net position, and revenues of the component units. 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 Talbot County Department of Public Health, 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 financial statement 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information and the respective budgetary comparison for the General Fund, of Talbot County, Georgia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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 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 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 this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Talbot County, Georgia basic financial statements. The combining, individual nonmajor fund financial statements, and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining, individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplemental information 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining, individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of Talbot 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 Talbot County, Georgia's internal control over financial reporting and compliance.

Manchester, Georgia
December 22, 2014

TALBOT COUNTY, GEORGIA
STATEMENT OF NET POSITION
June 30,2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Development Authority	Department of Public Health
Assets					
Cash	$ 6,249,913	$ 173,763	$ 6,423,676	$ 341,037	$ 104,906
Receivables (net of allowance for doubtful accounts, where applicable):					
Taxes	364,644		364,644		
Accounts	112,144	101,457	213,601		
Other	213,775		213,775		
Internal balances	17,965	(17,965)			
Inventory		12,634	12,634		
Prepaid items	37,447	3,240	40,687		
Restricted cash		170,486	170,486		
Capital assets not being depreciated	275,681	19,600	295,281	123,336	
Capital assets being depreciated, net of accumulated depreciation	5,287,906	3,019,756	8,307,662	53,073	
Total assets	12,559,475	3,482,971	16,042,446	517,446	104,906
Liabilities					
Accounts payable	319,837	30,948	350,785	2,368	
Accrued liabilities	7,659	8,790	16,449		
Customer deposits		109,996	109,996		
Unearned revenue	355,607		355,607		
Long-term liabilities:					
Due within one year	409,357	66,978	476,335		4,486
Due in more than one year	1,556,980	1,779,669	3,336,649		13,624
Total liabilities	2,649,440	1,996,381	4,645,821	2,368	18,110
Net Position					
Net invested in capital assets	4,575,552	1,208,417	5,783,969	176,409	
Restricted:					
Capital projects	1,347,275		1,347,275		
Public safety	193,494		193,494		
Public works	611,280		611,280		
Judicial	12,180		12,180		
Prior year program income					19,916
Unrestricted	3,170,254	278,173	3,448,427	338,669	66,880
Total net position	$ 9,910,035	$ 1,486,590	$ 11,396,625	$ 515,078	$ 86,796

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees Fines and Forfeitures	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: Development Authority	Component Units: Department of Public Health
Primary government:									
Governmental activities:									
General government	$ 1,491,066	$ 52,382	$ 162,054		$ (1,276,630)		$ (1,276,630)		
Judicial system	424,831				(424,831)		(424,831)		
Public safety	1,734,817	485,496	30,203		(1,219,118)		(1,219,118)		
Public works	2,293,074	319,808	788,990		(1,184,276)		(1,184,276)		
Health and welfare	724,200	170,497	266,949		(286,754)		(286,754)		
Culture and recreation	185,214	1,585			(183,629)		(183,629)		
Planning and community development	194,770		87,313		(107,457)		(107,457)		
Interest on long-term debt	41,513				(41,513)		(41,513)		
Total governmental activities	7,089,485	1,029,768	1,335,509	$ -	(4,724,208)		(4,724,208)		
Business-type activities:									
Water system	838,892	684,564				$ (154,328)	(154,328)		
Total business-type activities	838,892	684,564	-	-	-	(154,328)	(154,328)		
Total primary government	$ 7,928,377	$ 1,714,332	$ 1,335,509	$ -	(4,724,208)	(154,328)	(4,878,536)		
Component units:									
Development Authority	$ 33,446	$ 20,000						$ (13,446)	
Department of Public Health	180,834	34,311	$ 163,760						$ 17,237
Total component units	$ 214,280	$ 54,311	$ 163,760	$ -				(13,446)	17,237
General revenues:									
Taxes:									
Property					3,429,531		3,429,531		
Sales					1,164,028		1,164,028		
Insurance premiums					236,529		236,529		
Motor vehicle and mobile home					330,525		330,525		
Alcoholic beverage					39,396		39,396		
Other					145,392		145,392		
Miscellaneous revenue					77,567		77,567		
Interest revenue					6,583	251	6,834	504	
Total general revenues					5,429,551	251	5,429,802	504	-
Change in net position					705,343	(154,077)	551,266	(12,942)	17,237
Net position at beginning of year, restated					9,204,692	1,640,667	10,845,359	528,020	69,559
Net position at end of year					$ 9,910,035	$ 1,486,590	$ 11,396,625	$ 515,078	$ 86,796

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

TALBOT COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

Assets	Major Governmental Fund Types: General	Major Governmental Fund Types: SPLOST	Nonmajor Governmental Fund Types: Other Governmental Funds	Total Governmental Funds
Cash	$ 4,160,640	$ 1,256,641	$ 832,632	$ 6,249,913
Receivables (net where applicable of allowances for uncollectibles):				
Taxes	287,411		77,233	364,644
Accounts	112,144			112,144
Other	121,719	92,056		213,775
Due from other funds	17,965		2,234	20,199
Prepaid expenditures	37,447			37,447
Total assets	$ 4,737,326	$ 1,348,697	$ 912,099	$ 6,998,122
Liabilities				
Accounts payable - Trade	$ 312,427	$ 1,422	$ 5,988	$ 319,837
Accrued liabilities	7,659			7,659
Due to other funds	2,234			2,234
Unearned revenue	266,450		89,157	355,607
Total liabilities	588,770	1,422	95,145	685,337
Deferred inflows of resources				
Unavailable revenue - property taxes	195,829			195,829
Total deferred inflows of resources	195,829	-	-	195,829
Fund balances				
Fund balances:				
Nonspendable - prepaid items	37,447			37,447
Restricted for:				
Capital projects		1,347,275		1,347,275
Public safety			193,494	193,494
Public works			611,280	611,280
Judicial			12,180	12,180
Unassigned	3,915,280			3,915,280
Total fund balances	3,952,727	1,347,275	816,954	6,116,956
Total liabilities, deferred inflows of resources, and fund balances	$ 4,737,326	$ 1,348,697	$ 912,099	$ 6,998,122

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

TALBOT COUNTY, GEORGIA
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL
ACTIVITIES ON THE STATEMENT OF NET POSITION
June 30, 2014

Fund balances - Total governmental funds		$ 6,116,956
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:		
Add, capital assets		9,396,391
Deduct, accumulated depreciation		(3,832,804)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2014 are:		
Capital leases	$ (590,835)	
Compensated absences	(229,025)	
Landfill post-closure costs	(670,330)	
Note payable	(397,200)	
Intergovernmental contract	(78,947)	
Total long-term liabilities		(1,966,337)
In governmental funds, revenues must meet the availability test before they can be recognized. That is, they must be collected within 60 days after year end to be used to pay the period's current liabilities. However, no similar requirement applies in the government-wide statements. Therefore unavailable revenue balances reported on the balance sheet of governmental funds must be reversed and recognized as current period revenue. In addition, the governmental fund revenue will also be adjusted at the government-wide level for the change during the year in the balance of unavailable revenues:		
Unavailable property taxes arising from ability to collect after 60 days from year end		195,829
Net position of governmental activities		$ 9,910,035

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Major Governmental Fund Types		Nonmajor Governmental Fund Types	
	General	SPLOST	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes:				
Property	$ 3,439,394			$ 3,439,394
Sales	273,399	$ 428,298	$ 461,281	1,162,978
Insurance premium	236,529			236,529
Motor vehicle and mobile home	330,525			330,525
Alcoholic beverage	39,396			39,396
Other	145,392			145,392
Licenses and permits	42,382			42,382
Charges for services	773,533			773,533
Fines, forfeitures and court fees	191,216		22,637	213,853
Grants and subsidies	814,901		477,017	1,291,918
Interest revenue	6,312	1,050	271	7,633
Other revenue	77,567			77,567
Total revenues	6,370,546	429,348	961,206	7,761,100
Expenditures:				
Current:				
General government	1,401,435			1,401,435
Judicial system	418,032		1,730	419,762
Public safety	1,565,606		4,705	1,570,311
Public works	1,582,201		395,692	1,977,893
Health and welfare	638,233			638,233
Culture and recreation	151,416			151,416
Planning and community development	106,719		87,313	194,032
Intergovernmental support		40,229		40,229
Debt service:				
Principal payments	89,439	47,119	46,931	183,489
Interest payments	11,380	17,826	12,307	41,513
Capital outlay:				
Judicial system	700			700
General government	13,810			13,810
Public safety	41,471	18,276		59,747
Public works		131,590	449,278	580,868
Health and welfare	2,066			2,066
Culture and recreation		776		776
Total expenditures	6,022,508	255,816	997,956	7,276,280
Excess (deficiency) of revenues over (under) expenditures	348,038	173,532	(36,750)	484,820
Other financing sources (uses):				
Debt proceeds			440,778	440,778
Total other financing sources (uses)	-	-	440,778	440,778
Net change in fund balances	348,038	173,532	404,028	925,598
Fund balances at beginning of year, restated	3,604,689	1,173,743	412,926	5,191,358
Fund balances at end of year	$ 3,952,727	$ 1,347,275	$ 816,954	$ 6,116,956

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

TALBOT COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Net changes in fund balances - Total governmental funds	$ 925,598
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($519,606) exceeded depreciation ($458,582) in the current period.	61,024
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(257,289)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment consists of the change of one balance:	
Compensated absences	(14,127)
In governmental funds, revenues must meet the availability test before they can be recognized. That is, they must be collected within 60 days after year end to be used to pay the period's current liabilities. However, no similar requirement applies to the government-wide Statement of Activities. Therefore, unavailable revenue amounts are reversed on the Statement of Net Position and recognized as current period revenue on the Statement of Activities:	
Net decrease in unavailable revenue from June 30, 2013 ($205,692) to June 30, 2014 ($195,829)	(9,863)
Change in net position of governmental activities	$ 705,343

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget
Revenues:				
Taxes:				
Property	$ 3,211,496	$ 3,211,496	$ 3,439,394	$ 227,898
Sales	322,365	322,365	273,399	(48,966)
Insurance premium	227,576	227,576	236,529	8,953
Motor vehicle and mobile home	241,733	241,733	330,525	88,792
Alcoholic beverage	43,985	43,985	39,396	(4,589)
Other	115,311	115,311	145,392	30,081
Licenses and permits	36,700	36,700	42,382	5,682
Charges for services	968,497	968,497	773,533	(194,964)
Fines, forfeitures and court fees	194,169	194,169	191,216	(2,953)
Grants and subsidies	487,772	801,054	814,901	13,847
Interest revenue	8,500	8,500	6,312	(2,188)
Other revenue	19,534	19,534	77,567	58,033
Total revenues	5,877,638	6,190,920	6,370,546	179,626
Expenditures:				
Current:				
General government:				
General administration	503,412	433,099	413,728	19,371
County commissioners	318,792	318,792	300,275	18,517
Tax commissioners	273,505	273,505	257,552	15,953
Tax assessors	212,466	212,466	196,017	16,449
Elections	113,153	134,278	113,851	20,427
Public buildings	127,020	127,020	120,012	7,008
Total general government	1,548,348	1,499,160	1,401,435	97,725
Judicial system:				
Probate court	164,720	164,720	156,568	8,152
Clerk of superior court	163,389	163,389	163,008	381
Magistrate	23,588	23,588	19,787	3,801
Other court services	86,000	86,000	78,669	7,331
Total judicial system	437,697	437,697	418,032	19,665
Public safety:				
Ambulance service	500,207	506,048	425,089	80,959
Coroner	20,841	20,841	16,098	4,743
Fire	91,608	102,449	72,725	29,724
Animal control	42,347	42,347	36,691	5,656
Sheriff and jail	1,024,912	1,025,612	988,276	37,336
EMA services	81,902	81,902	8,093	73,809
Regional E-911	18,428	18,634	18,634	-
Total public safety	1,780,245	1,797,833	1,565,606	232,227

Continued.....

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2014
(Continued)

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance with Final Budget
Public works:				
Landfill	348,348	348,648	346,644	2,004
Public works	922,275	1,235,557	1,235,557	-
Total public works	1,270,623	1,584,205	1,582,201	2,004
Health and welfare:				
Transit	389,296	389,296	364,247	25,049
Nutrition	215,943	215,943	190,458	25,485
Health appropriations	85,909	85,909	83,528	2,381
Total health and welfare	691,148	691,148	638,233	52,915
Culture and recreation:				
Parks	122,011	123,716	119,692	4,024
Library	31,724	31,724	31,724	-
Total culture and recreation	153,735	155,440	151,416	4,024
Planning and community development:				
County agent	44,852	44,852	34,372	10,480
Building and zoning	59,737	59,737	51,506	8,231
Planning and community development appropriations	20,841	20,841	20,841	-
Total planning and community development	125,430	125,430	106,719	18,711
Debt service:				
Principal	95,000	95,000	89,439	5,561
Interest	36,955	16,269	11,380	4,889
Total debt service	131,955	111,269	100,819	10,450
Capital outlay:				
Judicial system	3,500	3,500	700	2,800
General government	4,000	13,810	13,810	-
Public safety	1,000	41,471	41,471	-
Health and welfare	5,000	5,000	2,066	2,934
Total capital outlay	13,500	63,781	58,047	5,734
Total expenditures	6,152,681	6,465,963	6,022,508	443,455
Excess (deficiency) of revenues over (under) expenditures	(275,043)	(275,043)	348,038	623,081
Net change in fund balances	(275,043)	(275,043)	348,038	623,081
Fund balances at beginning of year, restated	3,604,689	3,604,689	3,604,689	-
Fund balances at end of year	$ 3,329,646	$ 3,329,646	$ 3,952,727	$ 623,081

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

TALBOT COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-Type Activities Major Fund Type Water System
Assets	
Current assets:	
Cash	$ 173,763
Accounts receivable (net of allowance for uncollectible)	101,457
Inventory	12,634
Restricted cash	170,486
Prepaid expenses	3,240
Total current assets	461,580
Noncurrent assets:	
Capital assets not being depreciated	19,600
Capital assets being depreciated, net of accumulated depreciation	3,019,756
Total noncurrent assets	3,039,356
Total assets	3,500,936
Liabilities	
Current liabilities:	
Accounts payable	30,948
Due to other funds	17,965
Customer deposits	109,996
Accrued interest	8,790
Compensated absences, current portion	7,791
Revenue bonds, current portion	53,578
Capital leases payable, current portion	5,609
Total current liabilities	234,677
Noncurrent liabilities:	
Compensated absences payable	7,917
Revenue bonds payable	1,733,042
Capital leases payable	38,710
Total noncurrent liabilities	1,779,669
Total liabilities	2,014,346
Net Position	
Net invested in capital assets	1,208,417
Unrestricted	278,173
Total net position	$ 1,486,590

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

TALBOT COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-Type Activities Major Fund Types Water System
Operating revenues:	
Charges for services	$ 636,750
Penalties	35,100
Miscellaneous	12,714
Total operating revenue	684,564
Operating expenses:	
Salaries and benefits	213,989
Water purchases	167,163
Services and supplies	76,426
Depreciation and amortization	189,450
Other operating	97,583
Total operating expenses	744,611
Operating income (loss)	(60,047)
Nonoperating revenues (expenses):	
Interest income	251
Interest expense	(94,281)
Total nonoperating revenues (expenses)	(94,030)
Change in net position	(154,077)
Net position, at beginning of year, restated	1,640,667
Net position, at end of year	$ 1,486,590

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

TALBOT COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-Type Activities Major Fund Types Water System
Cash flows from operating activities:	
Receipts from customers	$ 678,818
Receipt of customer deposits	6,400
Payments to employees	(206,007)
Payments to vendors	(317,256)
Net cash provided by operating activities	161,955
Cash flows from capital and related financing activities:	
Principal paid on capital debt	(56,811)
Interest paid on capital debt	(94,983)
Net cash used by capital and related financing activities	(151,794)
Cash flows from investing activities:	
Interest income	251
Net cash provided by investing activities	251
Net increase (decrease) in cash	10,412
Cash at beginning of year	333,837
Cash at end of year	$ 344,249
Reported on balance sheet as:	
Cash	$ 173,763
Restricted cash	170,486
Total cash per balance sheet	$ 344,249
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	$ (60,047)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	189,450
(Increase) decrease in:	
Accounts receivable	(5,746)
Inventories	(5,500)
Increase (decrease) in:	
Due to other funds	17,965
Customer deposits	6,400
Accounts payable	11,451
Compensated absences	7,982
Net cash provided by operating activities	$ 161,955

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

TALBOT COUNTY, GEORGIA
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
Assets	
Cash	$ 194,804
Taxes receivable	41,780
Total assets	$ 236,584
Liabilities	
Due to others	$ 236,584
Total liabilities	$ 236,584

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Talbot County, Georgia (the County) was incorporated December 14, 1827. The County operates under a board of five commissioners and provides the following services in addition to general government responsibilities: judicial, public safety, public works, health and welfare, culture and recreation, planning and community development, and water services.

The following is a summary of the County's more significant accounting policies used in the preparation of the accompanying financial statements.

A. The Reporting Entity

The accompanying financial statements present the County's primary government and discretely presented component units over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the County (as distinct from legal relationships).

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the Talbot County Department of Public Health and the Development Authority of Talbot County, the County's only component units. Copies of the component units' financial statements may be obtained from the County Commissioners office.

Information regarding the component units reported in the County's financial statements is listed below:

Discretely Presented Component Unit	Brief Description of Activities and Relationship to the County
Talbot County Department of Public Health	Provides medical services and health education to the citizens of Talbot County. The County Board of Commissioners has the authority to modify and approve the Department of Public Health budget and have committed to provide significant financial support to the Department of Public Health.
Development Authority of Talbot County	Identifies, attracts and locates new business, industry and tourism in Talbot County for the purposes of increasing trade, commerce, industry, tourism and employment opportunities. The County Board of Commissioners appoints a majority of the Board of Directors.

Both the Development Authority of Talbot County and the Talbot County Department of Public Health are presented as discretely presented component units. Both component units are presented as governmental fund types.

Related Organizations - Based upon GASB criteria, the following related organizations are excluded from the financial reporting entity because the County's accountability does not extend beyond making appointments or providing limited financial support:

Talbot County Board of Education
Talbot County Department of Family and Children Services
Talbot County Forestry Commission
Talbot County Housing Authority

Disbursements for these units based on contractual agreements have been budgeted and expended as part of regular operations of the County.

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 nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* includes 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. Nonmajor funds are aggregated and presented in a single column on the governmental and proprietary fund financial statements.

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

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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, including property taxes, are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants from other governments, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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:

General Fund - The General Fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

SPLOST Fund - The SPLOST Fund is a capital projects fund established to account for major capital expenditures financed by special local option sales tax receipts.

The County also reports the following major proprietary fund:

Water System Fund - The Water System Fund accounts for the water activities of the government.

Additionally, the County reports the following nonmajor governmental funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

The County also reports the following fiduciary fund type:

Agency Funds - Agency Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Current Agency Funds held by the County are as follows:

Tax Commissioner
Sheriff
Magistrate Court
Probate Court
Superior Court

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule can be payments in lieu of taxes and other charges between the government's water system and other functions of the County. During the 2014 fiscal year, however, no such incidents had occurred.

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, including special assessments. 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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary 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.

The County's net position is reported in three parts - 1) net invested in capital assets 2) restricted; and 3) unrestricted. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The County prepares and adopts its budget and complies with the auditing requirements for local governments so as to provide local taxpayers with an opportunity to gain information concerning the purpose for which local revenues are proposed to be spent and are actually spent and to assist local governments in generally improving local financial management practices while maintaining, preserving, and encouraging the principle of home rule over local matters. The procedures are as follows:

a. The County manager submits to the Board of Commissioners a proposed operating budget for the following fiscal year. The operating budget includes proposed expenditures and the means of financing them.
b. Public hearings are conducted to obtain taxpayer comments.
c. The budget is legally enacted through passage of an ordinance.
d. The budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
e. The Capital Projects Fund is budgeted on a project basis, which may be one or more years in length.
f. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Each fund's appropriated budget is prepared on a department level. Revenues are budgeted by source. Expenditures are budgeted by departments, which constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the County Commission. Within these control levels, management may transfer appropriations without Commission approval. Budget appropriations lapse at year end.

The budget amounts shown in these financial statements include any amendments approved by the County. There were no significant amendments during the fiscal year.

E. Deposits 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, and non-negotiable certificates of deposits regardless of original maturity.

Statutes authorize the County to invest in obligations of the United States and of its agencies and instrumentalities; bonds or certificates of indebtedness of the state of Georgia and of its agencies and instrumentalities; certificates of deposit of banks insured by the FDIC to the extent that such investments are legal investments; repurchase agreements; and the Local Government Investment Pool, administered by the State of Georgia.

Investments for the County, as well as for its component units are reported at fair value. Neither the County, nor its component units, have any investments at year end.

F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payables" (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 between governmental activities and the business-type activities are reported on the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowances for uncollectibles on receivable balances represent estimates based on historical collection rates and account balance aging reports.

The County's property tax is levied on approximately October 15 on the assessed values for all real and personal property, including mobile homes and motor vehicles located in the County. The billings are considered due December 20. At December 21, the bill becomes delinquent, the applicable property is subject to lien, and penalties and interest may be assessed by the County.

All property taxes levied for the current and any previous years, but not received as of June 30, 2014, are shown as property taxes receivable at that date. Any of the taxes, which are determined to be unavailable to pay liabilities of the current period, have been deferred. The Tax Commissioner bills and collects those property taxes levied by the County, the Talbot County Board of Education, the municipalities located within the County and the State of Georgia. Collections and remittances to the County and other governmental agencies are accounted for in an agency fund.

G. Inventory

Inventory is valued at cost using the first-in, first-out (FIFO) method and consists of expendable supplies. The County uses the consumption method to record inventory, which means that inventory acquisitions are recorded in inventory accounts when purchased and charged as expenditures or expenses when used. At year end, only the County's business-type activities had inventory balances on the financials.

H. Prepaid Items

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

I. Restricted Cash

Water System Fund restricted cash is restricted for customer deposits and the Water Fund debt service.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., 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 government as assets with an initial, individual cost of more than $500 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 County is classified as a phase 3 government due to its revenue and classification by GASB 34. The County has opted not to retroactively report infrastructure, but reports all infrastructure additions and related improvements after July 1, 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20-40
Improvements	10-30
Public domain infrastructure	40
System infrastructure	40
Vehicles	5
Equipment	5 -15

K. 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. Currently, the County has no items that qualify for reporting as a deferred outflow of resources.

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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay up to 480 hours are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Long-Term Obligations

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

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. Premiums received on debt issuances are 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.

N. Fund Equity

Beginning with fiscal year ending June 30, 2011, the County implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength to the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid items) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The County Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Board of Commissioners through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital assets, construction, debt service, or for other purposes). It is the County's policy to use restricted fund balances first, followed by committed, assigned, and then unassigned amounts, respectively.

O. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

P. Use of Estimates to Prepare Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Q. Subsequent Events

Subsequent events have been evaluated by management through December 22, 2014, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

At year end, the County had $50 in petty cash on hand and the carrying amount of the County's deposits (checking, savings and certificates of deposit) was $6,788,916 and the bank balance was $7,008,426. Of the bank balance, $998,852 was covered by federal depository insurance and $6,009,574 was covered by collateral held in the pledging bank's trust department or by its agent in the County's name. The County does not have a deposit policy for custodial credit risk.

At year end, the carrying amount of the Development Authority of Talbot County, a component unit of the County, deposits (checking and certificates of deposit) was $341,037 and the bank balance was $341,056. Of the bank balance, $254,439 was covered by federal depository insurance and $86,617 was covered by collateral held in the pledging bank's trust department or by its agent in the Authority's name.

As of June 30, 2014, the Health Department's cash deposits were entirely covered by federal depository insurance.

Neither of the discretely presented component units have a deposit policy for custodial credit risk.

3. CAPITAL ASSETS

Primary Government

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 275,681			$ 275,681
Total capital assets, not being depreciated	275,681	$ -	$ -	275,681
Capital assets, being depreciated:				
Buildings and structures	4,326,188			4,326,188
Improvements	519,210	4,908		524,118
Machinery and equipment	3,366,518	514,698	135,553	3,745,663
Infrastructure	524,741			524,741
Total capital assets, being depreciated	8,736,657	519,606	135,553	9,120,710
Less, accumulated depreciation for:				
Buildings and structures	(1,041,219)	(112,766)		(1,153,985)
Improvements	(121,335)	(25,010)		(146,345)
Machinery and equipment	(2,331,466)	(307,687)	135,553	(2,503,600)
Infrastructure	(15,755)	(13,119)		(28,874)
Total accumulated depreciation	(3,509,775)	(458,582)	135,553	(3,832,804)
Total capital assets, being depreciated, net	5,226,882	61,024	-	5,287,906
Governmental activities capital assets, net	$ 5,502,563	$ 61,024	$ -	$ 5,563,587
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 19,600			$ 19,600
Total capital assets, not being depreciated	19,600	$ -	$ -	19,600

Capital assets, being depreciated:				
Machinery and equipment	171,594			171,594
Transportation equipment	88,115			88,115
Water system	5,949,344			5,949,344
Total capital assets, being depreciated	6,209,053	-	-	6,209,053
Less, accumulated depreciation for:				
Machinery and equipment	(108,263)	(14,417)		(122,680)
Transportation equipment	(61,041)	(6,292)		(67,333)
Water system	(2,850,649)	(148,635)		(2,999,284)
Total accumulated depreciation	(3,019,953)	(169,344)	-	(3,189,297)
Total capital assets, being depreciated, net	3,189,100	(169,344)	-	3,019,756
Business-type activities capital assets, net	$ 3,208,700	$ (169,344)	$ -	$3,039,356

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

Governmental activities:	
General government	$ 75,504
Judicial system	5,069
Public safety	157,735
Public works	143,362
Health and welfare	42,376
Culture and recreation	33,798
Planning and community development	738
Total depreciation expense - governmental activities	$ 458,582
Business-type activities:	
Water system	$ 169,344

Discretely Presented Component Units

The Development Authority of Talbot County's capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 117,336	$ 6,000	$ -	$ 123,336
Capital assets being depreciated:				
Buildings	91,665			91,665
Furniture and equipment	1,442			1,442
Total capital assets being depreciated	93,107	-	-	93,107
Less, accumulated depreciation for:				
Buildings	(35,536)	(3,056)		(38,592)
Furniture and equipment	(1,442)			(1,442)
Total accumulated depreciation	(36,978)	(3,056)	-	(40,034)
Total capital assets being depreciated, net	56,129	(3,056)	-	53,073
Development Authority of Talbot County capital assets, net	$ 173,465	$ 2,944	$ -	$ 176,409

Depreciation expense of the Development Authority of Talbot County was charged to functions as follows:

Business promotion and tourism	$ 3,056

The Talbot County Department of Public Health's capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Machinery and equipment	$ 5,203			$ 5,203
Less, accumulated depreciation:				
Machinery and equipment	(5,203)			(5,203)
Department of Public Health capital assets, net	$ -	$ -	$ -	$ -

Depreciation expense of Talbot County Department of Public Health was charged to functions/programs as follows:

Health	$ 0

4. LONG-TERM DEBT

A. Revenue Bonds

Primary Government

The County's water system fund issues revenue bonds to make additions and improvements to the County's water system. The bonds are repaid through installments from the Water System Fund. The original amount of revenue bonds issued in prior years is $2,439,800. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Improvements to water system - Water System Fund	5.000%	$ 70,000
Improvements and additions to water system - Water System Fund	5.250%	728,099
Improvements and additions to water system - Water System Fund	5.125%	253,433
Water revenue refunding and improvements - Water System Fund	5.000%	735,088
		$ 1,786,620

Revenue bonds debt service requirements to maturity are as follows:

	Business-Type Activities	
	Principal	Interest
Year ending June 30:		
2015	$ 53,578	$ 90,554
2016	56,643	87,989
2017	59,287	84,795
2018	62,835	81,697
2019	65,519	78,413
2020-2024	326,653	341,207
2025-2029	404,654	248,506
2030-2034	478,766	130,269
2035-2039	205,145	45,655
2040-2041	73,540	3,007
	$ 1,786,620	$ 1,192,092

B. Capital Lease

Primary Government

The County has entered into lease agreements as a lessee for financing the acquisition of various equipment and vehicles for the governmental activities. All of these leases are being paid by the general fund. The County has also entered into a lease agreement as a lessee for financing equipment for the proprietary activities. This lease is being paid by the water fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The expense resulting from amortization of assets recorded under capital leases is included in depreciation expense.

The assets acquired through capital leases are as follows:

	Governmental Activities	Water Fund
Machinery and equipment	$ 835,353	$ 65,547
Less, accumulated depreciation	(246,462)	(32,774)
	$ 588,891	$ 32,773

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, are being repaid through the General Fund and Water Fund, respectfully and were as follows:

	Governmental Activities	Water Fund
Year ending June 30:		
2015	$ 257,424	$ 7,162
2016	73,409	7,162
2017	64,623	33,000
2018	64,623	
2019	172,636	
Total minimum lease payments	632,715	47,324
Less, amount representing interest	(41,880)	(3,005)
Present value of minimum lease payments	$ 590,835	$ 44,319

C. Note Payable

Primary Government

The County has entered into a note payable for financing renovations of the County's courthouse. The total amount of the loan issued in prior years is $1,106,000. This note is being paid by the SPLOST fund.

Purpose	Interest Rate	Amount
Renovations of courthouse	4.125%	$ 397,200

Loans payable debt service requirements to maturity are as follows:

Year ending June 30:	Governmental Activities Principal	Interest
2015	$ 48,540	$ 16,405
2016	50,542	14,403
2017	52,627	12,318
2018	54,798	10,147
2019	57,058	7,887
2020-2022	133,635	9,125
	$ 397,200	$ 70,285

D. Intergovernmental Contract

Primary Government

The County entered into an intergovernmental contract with the Middle Flint Regional E9-1-1 Authority ("the Authority") to pay the County's required equity share to the Authority. The joint venture with the Authority is discussed in Note 13. The original amount of the intergovernmental contract is $110,751 and it is being repaid through the General Fund. The balance outstanding at June 30, 2014 was $78,947 at 3% interest.

Annual debt service requirements to maturity for the intergovernmental contract are as follows:

Year ending June 30:	Governmental Activities Principal	Interest
2015	$ 13,404	$ 2,185
2016	13,811	1,777
2017	14,231	1,357
2018	14,664	924
2019	15,110	478
2020	7,727	68
	$ 78,947	$ 6,789

E. Compensated Absences

Primary Government and Discretely Presented Component Unit

The County and Talbot County Department of Public Health accrue compensated absences for their employees. Both the governmental activities and business-type activities of the County and Talbot County Department of Public Health have compensated absences at June 30, 2014. Accrued compensated absences from the governmental activities of the County are repaid through the general fund. Accrued compensated absences from the business-type activities of the County are repaid through the water fund. The Talbot County Department of Public Health compensated absences are repaid through the component unit's general fund.

F. Changes in Long-Term Liabilities

Primary Government

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Governmental activities:					
Capital leases	$ 258,484	$ 440,778	$ (108,427)	$ 590,835	$ 241,093
Note payable	444,319		(47,119)	397,200	48,540
Intergovernmental contract	91,955		(13,008)	78,947	13,404
Accrued compensated absences	214,898	118,388	(104,261)	229,025	106,320
Landfill postclosure costs	685,265		(14,935)	670,330	
Governmental activity long-term liabilities	$ 1,694,921	$ 559,166	$ (287,750)	$ 1,966,337	$ 409,357
Business-type activities:					
Capital leases	$ 49,738		$ (5,419)	$ 44,319	$ 5,609
Accrued compensated absences	7,726	$ 12,833	(4,851)	15,708	7,791
Revenue bonds payable	1,838,012		(51,392)	1,786,620	53,578
Less, deferred amounts: Issuance discounts	(20,106)		20,106		
Business-type activity long-term liabilities	$ 1,875,370	$ 12,833	$ (41,556)	$ 1,846,647	$ 66,978

Beginning balance for accrued compensated absences has been restated $168,284 for government activities and $7,726 for business-type activities as discussed in Note 15 for prior period adjustments.

Discretely Presented Component Units

Long-term liability activity for the year ended June 30, 2014 for the Talbot County Department of Public Health was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	$ 16,678	$ 9,420	$ (7,988)	$ 18,110	$ 4,486

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2014, the County interfund balances due to/from are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Proprietary Fund	$ 17,965
Nonmajor Governmental Fund	Nonmajor Governmental Fund	2,234
		$ 20,199

Outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods, subsidy commitments to supplement operations outstanding at year end and other miscellaneous receivables/payables between funds. All due to/from balances are expected to be repaid within one year.

At June 30, 2014 the County does not have any interfund transfers.

6. PENSION PLAN AND OTHER RETIREMENT BENEFITS

A. Pension Plan

County employees are covered by the Talbot County Money Purchase Plan, a noncontributory defined contribution pension plan for full-time County employees who have attained age 21 and have completed two years of service. Under the plan, the County contributes 6% of participating employee compensation. Plan provisions and contribution requirements are established and may be amended by a resolution of the Talbot County Commission. Full vesting occurs after two years of service. Georgia Farm Bureau has been selected to administer and act as trustee for the plan.

The County's contribution for the year ended June 30, 2014 was $105,530. Total payroll for the year ended June 30, 2014 was $2,470,425.

B. Other Retirement Benefits

In addition to the pension plan, the following other retirement benefits are in effect but are not under the direct control of the County:

Probate Judges' Retirement Fund of Georgia - The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

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 pension plan before the payment of any costs or other claims.

Sheriff's Retirement Fund/Peace Officer's 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 Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.

7. JOINT USE AGREEMENT

On August 4, 1992, the County entered into a joint services contract with the City of Manchester, Georgia regarding the City's water treatment facility. The contract entitles the County to 29% of the City's total water treatment plant capacity, 29% of the reservoir capacity and 29% of total water line capacity. The County in turn shares in the cost of operating and maintaining the water treatment facility based upon actual consumption by the County in relation to the total production of the water treatment plant. Payments to the City are reported as water purchases in the statement of revenues, expenses and changes in fund net position for proprietary funds.

8. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Talbot County landfill ceased operation in April, 1994. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. The recognition of the liability for closure and postclosure care costs is based on landfill capacity used to date. As of June 30, 2014, 100% of the landfill capacity had been used and the landfill has no remaining life. The $670,330 reported in the governmental activities long-term liabilities on the government-wide financials as landfill postclosure costs at June 30, 2014 represents the unpaid closure and postclosure costs based upon the most current estimate available, and there is no unrecognized liability at June 30, 2014. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Financial expenditures associated with the landfill are being repaid through the general fund.

9. LITIGATION

Any pending law suits at June 30, 2014 are covered by insurance and should not materially affect the financial statements of Talbot County, Georgia.

10. CONTINGENT LIABILITIES

The activities of the General Fund include revenues received from Federal and State governments and expenditures related to Federal and State funded grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies' audits cannot be determined at this time, although the County believes it is in compliance with all related program requirements.

11. FUND BALANCES/NET POSITION

All funds operated by the County had positive fund balances and net position balances at June 30, 2014.

Both discretely presented component units of the County also had positive fund balances and net position balances at June 30, 2014.

12. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The County maintains commercial insurance coverage covering each of the above risks of loss.

There were no significant reductions of insurance coverage from coverage in the prior year.

Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the County.

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

Risk Pool - The County has elected to be a member of the Association County Commissioners of Georgia Group Self Insurance Workers' Compensation Fund (GSIWCF), a self-insurance risk pool created under Georgia law. As a participant in the GSIWCF, 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 GSIWCF permits the fund to levy an assessment upon its members to make up any deficiency the fund may have in surplus or reserves. Since excess insurance is purchased by the GSIWCF to protect the Fund from catastrophic losses, no amount has been recorded in the financial statements for this contingency as management believes the likelihood for assessment is remote.

13. JOINT VENTURES

River Valley Regional Commission – Under Georgia law, the County, in conjunction with other cities and counties in the central Georgia area, is a member of the River Valley Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2014, the County paid $5,123 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes members from each county 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:

River Valley Regional Commission
P.O. Box 1908
Columbus, Georgia 31902

Middle Flint Regional E9-1-1 Authority – Pursuant to the authority granted in OCGA Section 46-5-120 et. Seq., Talbot County is a "Participating County", together with Dooly, Macon, Marion, Schley, Sumter, Taylor, and Webster Counties, in the Middle Flint Regional E9-1-1 Authority (the "Authority"). The Authority is governed by an eight member board appointed by the participating counties. The Authority maintains custody and control of the equipment and furnishings at the E-911 Center, located in Ellaville, Georgia. Each Participating County holds interest in the title to the equipment in such portion as each county has subscribers as of January 1 of each year. The E-911 Center receives telephone calls relating to public safety and it provides emergency call answering services and dispatching. Funding for the E-911 Center is derived from a surcharge added to telephone subscribers in the eight Participating Counties. Operating costs not covered by the surcharge are paid by the Participating Counties on a pro-rata share determined by the revenue collections in each county. Talbot County contributed $15,384 to the Authority during the twelve months ended June 30, 2014. Financial statements for the Middle Flint Regional E9-1-1 Authority can be obtained from:

Middle Flint Regional E9-1-1 Authority
222 Hayes Avenue
Ellaville, Georgia 31806

14. STATE LAW VIOLATION

In a prior fiscal year the County was cited by the Georgia Department of Natural Resources Environmental Protection Division for violation of Georgia Rules for Underground Storage Tank Management. The County failed to meet the permanent closure requirements for the road department underground storage tank. The total cost of correcting the violation is not known, however the County plans to comply fully with the closure requirement.

15. PRIOR PERIOD ADJUSTMENTS

The County changed the policy regarding accrued compensated absences to include sick pay up to 480 hours to be paid at an employee's termination of employment. This caused a restatement of the net position for the prior year on the *Statement of Activities* of $168,284 for governmental activities and $7,726 for business-type activities. The $7,726 affects the fund balance for the Water Fund on the *Statement of Revenues, Expenses,* and *Changes in Net Position*.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance* for the general fund is restated by $232,512 pertaining to the revenue received in the prior year which the County did not reflect as unearned revenue. This also affects the restatement of the net position on the *Statement of Activities* for governmental activities.

TALBOT COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds							
	Law Library	E911	Grant Fund	TIA	Jail	DATE	Sheriff Drug Fund	Total Nonmajor Governmental Funds
Assets								
Cash	$ 12,180	$ 100,203		$ 540,035	$ 153,432	$ 25,578	$ 1,204	$ 832,632
Receivable - taxes				77,233				77,233
Due from other funds						2,234		2,234
Total assets	$ 12,180	$ 100,203	$ -	$ 617,268	$ 153,432	$ 27,812	$ 1,204	$ 912,099
Liabilities								
Accounts payable				$ 5,988				$ 5,988
Unearned revenue		$ 89,157						89,157
Total liabilities	$ -	89,157	$ -	5,988	$ -	$ -	$ -	95,145
Fund Balances								
Restricted for:								
Law library	12,180							12,180
E911		11,046						11,046
Public works				611,280				611,280
Jail					153,432			153,432
DATE						27,812		27,812
Sheriff drug fund							1,204	1,204
Total fund balances	12,180	11,046	-	611,280	153,432	27,812	1,204	816,954
Total liabilities and fund balances	$ 12,180	$ 100,203	$ -	$ 617,268	$ 153,432	$ 27,812	$ 1,204	$ 912,099

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Special Revenue Funds							
	Law Library	E911	Grant Fund	TIA	Jail	DATE	Sheriff Drug Fund	Total Nonmajor Governmental Funds
Revenues:								
Taxes - sales				$ 461,281				$ 461,281
Fine, forfeitures and court fees	$ 2,318				$ 14,300	$ 6,019		22,637
Grants and subsidies			$ 477,017					477,017
Interest		$ 100			145	23	$ 3	271
Total revenues	2,318	100	477,017	461,281	14,445	6,042	3	961,206
Expenditures:								
Current:								
Judicial system	1,730							1,730
Planning and community development			87,313					87,313
Public safety							4,705	4,705
Public works			389,704	5,988				395,692
Debt Service:								
Principal payments				46,931				46,931
Interest payments				12,307				12,307
Capital outlay:								
Public works				449,278				449,278
Total expenditures	1,730	-	477,017	514,504	-	-	4,705	997,956
Excess (deficiency) of revenues over (under) expenditures	588	100	-	(53,223)	14,445	6,042	(4,702)	(36,750)
Other financing sources (uses):								
Debt proceeds				440,778				440,778
Total other financing sources (uses)	-	-	-	440,778	-	-	-	440,778
Net change in fund balances	588	100	-	387,555	14,445	6,042	(4,702)	404,028
Fund balances at beginning of year	11,592	10,946	-	223,725	138,987	21,770	5,906	412,926
Fund balances at end of year	$ 12,180	$ 11,046	$ -	$ 611,280	$ 153,432	$ 27,812	$ 1,204	$ 816,954

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - LAW LIBRARY
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines, forfeitures and court fees	$ 2,318	$ 2,318	$ -
Total revenues	2,318	2,318	-
Expenditures:			
Current:			
Judicial system - Law library	2,318	1,730	588
Total expenditures	2,318	1,730	588
Excess (deficiency) of revenues over (under) expenditures	-	588	588
Net change in fund balances	-	588	588
Fund balances at beginning of year	11,592	11,592	-
Fund balances at end of year	$ 11,592	$ 12,180	$ 588

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - E911
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Interest	$ 100	$ 100	$ -
Total revenues	100	100	-
Expenditures:			
Current:			
Public safety	100		100
Total expenditures	100	-	100
Excess (deficiency) of revenues over (under) expenditures	-	100	100
Net change in fund balances	-	100	100
Fund balances at beginning of year	10,946	10,946	
Fund balances at end of year	$ 10,946	$ 11,046	$ 100

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - GRANT FUND
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Grants and subsidies	$ 477,017	$ 477,017	$ -
Total revenues	477,017	477,017	-
Expenditures:			
Current:			
Planning and community development	87,313	87,313	-
Public works	389,704	389,704	-
Total expenditures	477,017	477,017	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances at beginning of year	-	-	-
Fund balances at end of year	$ -	$ -	$ -

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - TIA
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Taxes - sales	$ 514,504	$ 461,281	$ (53,223)
Total revenues	514,504	461,281	(53,223)
Expenditures:			
Current:			
Public works	5,988	5,988	-
Debt Service:			
Principal payments	46,931	46,931	-
Interest payments	12,307	12,307	-
Capital outlay:			
Public works	449,278	449,278	-
Total expenditures	514,504	514,504	-
Excess (deficiency) of revenues over (under) expenditures	-	(53,223)	(53,223)
Other financing sources (uses):			
Debt proceeds		440,778	440,778
Total other financing sources (uses)	-	440,778	440,778
Net change in fund balances	-	387,555	387,555
Fund balances at beginning of year	223,725	223,725	-
Fund balances at end of year	$ 223,725	$ 611,280	$ 387,555

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - JAIL
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines, forfeitures and court fees	$ 14,300	$ 14,300	$ -
Interest	145	145	-
Total revenues	14,445	14,445	-
Expenditures:			
Current:			
Public safety	14,445		14,445
Total expenditures	14,445	-	14,445
Excess (deficiency) of revenues over (under) expenditures	-	14,445	14,445
Net change in fund balances	-	14,445	14,445
Fund balances at beginning of year	138,987	138,987	
Fund balances at end of year	$ 138,987	$ 153,432	$ 14,445

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - DATE
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines, forfeitures and court fees	$ 6,019	$ 6,019	$ -
Interest	23	23	-
Total revenues	6,042	6,042	-
Expenditures:			
Current:			
Public safety	6,042		6,042
Total expenditures	6,042	-	6,042
Excess (deficiency) of revenues over (under) expenditures	-	6,042	6,042
Net change in fund balances	-	6,042	6,042
Fund balances at beginning of year	21,770	21,770	-
Fund balances at end of year	$ 21,770	$ 27,812	$ 6,042

TALBOT COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND - SHERIFF DRUG FUND
Year Ended June 30, 2014

	Original and Final Budget	Actual Amount	Variance with Final Budget
Revenues:			
Fines and forfeitures	$ 4,702		$ (4,702)
Interest	3	$ 3	-
Total revenues	4,705	3	(4,702)
Expenditures:			
Current:			
Public safety	4,705	4,705	-
Total expenditures	4,705	4,705	-
Excess (deficiency) of revenues over (under) expenditures	-	(4,702)	(4,702)
Net change in fund balances	-	(4,702)	(4,702)
Fund balances at beginning of year	5,906	5,906	-
Fund balances at end of year	$ 5,906	$ 1,204	$ (4,702)

TALBOT COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
TAX COMMISSIONER				
ASSETS				
Cash	$ 137,400	$ 8,477,752	$ 8,477,236	$ 137,916
Receivables, taxes	2,381	41,780	2,381	41,780
Total assets	$ 139,781	$ 8,519,532	$ 8,479,617	$ 179,696
LIABILITIES				
Due to others	$ 139,781	$ 179,696	$ 139,781	$ 179,696
Total liabilities	$ 139,781	$ 179,696	$ 139,781	$ 179,696
CLERK SUPERIOR COURT				
ASSETS				
Cash	$ 45,192	$ 148,153	$ 146,455	$ 46,890
LIABILITIES				
Due to others	$ 45,192	$ 46,890	$ 45,192	$ 46,890
PROBATE COURT				
ASSETS				
Cash	$ 8,003	$ 184,604	$ 185,099	$ 7,508
LIABILITIES				
Due to others	$ 8,003	$ 7,508	$ 8,003	$ 7,508
MAGISTRATE COURT				
ASSETS				
Cash	$ 832	$ 32,259	$ 32,344	$ 747
LIABILITIES				
Due to others	$ 832	$ 747	$ 832	$ 747
SHERIFF				
ASSETS				
Cash	$ 858	$ 21,718	$ 20,833	$ 1,743
LIABILITIES				
Due to others	$ 858	$ 1,743	$ 858	$ 1,743

TALBOT COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
Year Ended June 30, 2014

Project	Estimated Percent of Completion	Estimated Project Amount	Amount Expended Prior Years	Amount Expended Current Year
Resolution #070102:				
Recreational facilities and equipment	17%	$ 2,000,000	$ 331,199	
Public safety facilities	25%	2,000,000	487,592	$ 1,422
Roads, streets and bridge purposes	29%	3,500,000	1,007,392	
Courthouse	27%	1,500,000	404,784	
County Commissioners annex	20%	1,000,000	198,099	
Resolution #070107:				
Roads, streets and bridge purposes	51%	$ 1,200,000	$ 480,326	$ 131,590
Public safety facilities	25%	400,000	83,312	16,854
Recreational facilities and equipment	21%	400,000	84,931	776
Courthouse	69%	1,600,000	1,109,737	
Town of Geneva	69%	100,000	59,200	10,244
Town of Junction City	70%	100,000	59,947	10,214
City of Talbotton	69%	100,000	59,200	10,244
City of Woodland	68%	100,000	59,200	9,527
Debt service				64,945

TALBOT COUNTY, GEORGIA
SOURCE AND APPLICATION OF FUNDS STATUS REPORT
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2014

CDBG 11b-y-130-1-5346:

Total grant	$	608,107
Less, total funds drawn down by recipient for the year ended:		
June 30, 2014		(477,017)
June 30, 2013		(114,189)
June 30, 2012		(16,901)
Program funds available for future draw down	$	-
Total program funds drawn down by recipient for the year ended June 30, 2014	$	477,017
Add, program income applicable to the year ended June 30, 2014		-
Total program funds drawn by recipient and program income for the year ended June 30, 2014	$	477,017

TALBOT COUNTY, GEORGIA
PROJECT COST SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
Year Ended June 30, 2014

Activity	Budgeted Expenditures	Actual Expenditures: Year Ended June 30, 2014	Actual Expenditures: Prior Years	Questioned Cost
CDBG 11b-y-130-1-5346:				
C-022-00	$ 26,940			
P-03K-02	399,797	$ 370,319	$ 66,448	None
H-14A-01	197,104	37,883	32,463	None
H-14A-02	120,159	45,175		None
A-21A-00	56,000	23,640	32,180	None
	$ 800,000	$ 477,017	$ 131,091	

AJK

AJK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 609 ☐ 405 Second Street ☐ Manchester, GA 31816
(706) 846-8401 ☐ Fax (706) 846-3370

INDEPENDENT AUDITORS' 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
Talbot County, Georgia
Talbotton, Georgia 31827

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Talbot County, Georgia's basic financial statements and have issued our report thereon dated December 22, 2014. Our report includes a reference to other auditors who audited the financial statements of Talbot County Department of Public Health, as described in our report on Talbot 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 Talbot 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 Talbot County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Talbot 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, as items 14-1 through 14-4.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Talbot 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 14-5.

TALBOT COUNTY, GEORGIA'S RESPONSE TO FINDINGS

Talbot County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Talbot 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.

AJK

Manchester, Georgia
December 22, 2014

AJK

AJK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Talbot County, Georgia
Talbotton, Georgia 31827

Report on Compliance for Each Major Federal Program

We have audited Talbot County, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Talbot County, Georgia's major federal programs for the year ended June 30, 2014. Talbot County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Talbot County, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Talbot County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Talbot County, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, Talbot County, Georgia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Talbot County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Talbot County, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Talbot County, Georgia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

AJK

Manchester, Georgia
December 22, 2014

TALBOT COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Talbot County, Georgia.

2. Four significant deficiencies disclosed during the audit of the basic financial statements are reported in the "Independent Auditors' 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*." These significant deficiencies were determined not to be material weaknesses.

3. One instance of noncompliance material to the financial statements of Talbot County, Georgia was disclosed during the audit of the basic financial statements.

4. No significant deficiencies disclosed during the audit of the major federal award programs are reported in the "Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by *OMB Circular A-133*."

5. The auditor's report on compliance for the major federal award programs for Talbot County, Georgia expresses an unmodified opinion.

6. No audit findings relative to the major federal awards program for Talbot County, Georgia are reported in Part C of this schedule.

7. The program tested as a major program is the U.S. Department of Housing and Urban Development – Community Development Block Grant CFDA #14.228.

8. The threshold for distinguishing types A and B programs was $300,000.

9. Talbot County, Georgia was not determined to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

14-1 Segregation of Duties

Condition and Criteria:	Due to the small size of the County's staff, controls are not practical to provide adequate segregation of duties in the cash receipts and disbursements functions. This is a repeat finding from the prior year.
Effect:	Because of the failure to separate control over cash, errors or fraud that might avoid detection are possible.
Recommendation:	The County Commission should implement other internal controls in areas where segregation of duties is not practical.
Response:	We continue to require dual signatures and review income and expenses regularly. Monitoring areas for increased segregation is an on-going process.

14-2 Controls Over Financial Statement Preparation

Condition and Criteria:	County personnel do not currently possess the skills necessary to prepare the financial statements and related footnote disclosure in accordance with generally accepted accounting principles. This could result in the omission of a material financial statement element or disclosure that might not be detected by management.
Effect:	The deficiency identified above could result in a material misstatement to the County's financial statements that would not be prevented or detected on a timely basis.
Recommendation:	The County should consider additional training that would provide accounting personnel with the skills to detect and correct misstatements in the financial statements.
Response:	We concur. We will evaluate the cost effectiveness of implementing the control and act accordingly.

14-3 Approval Process for Expenditures

Condition and Criteria:	During our audit we noted a lack of documentation for approval of non-budgeted expenditures by the Commissioners.
Effect:	The deficiency identified above could result in unauthorized payments of invoices.
Recommendation:	The County should review their approval process for non-budgeted expenditures and the proper documentation of review of the invoices should be documented.
Response:	We concur. We will evaluate our approval process and ensure documentation is performed.

14-4 Sheriff Department Accounting Procedures

Condition and Criteria:	During our audit of the Sheriff department we noted lack of appropriate bookkeeping procedures. The receipt ledger does not agree to deposits per the proof of cash and deposits are not made in a timely manner. Some expenditures from the drug seizure fund are not supported by an invoice. Also, the Commissary account documentation for deposits and release of funds are not maintained in an orderly fashion.
Effect:	Failure to maintain orderly accounting records could result in unaccounted for transactions.
Recommendation:	The Sheriff department should maintain accounting records in an orderly fashion by month. Deposits to the bank should be balanced to cash receipt ledger by month and deposits should be made in a timely manner. All expenditures should be supported by an approved invoice. The Commissary account should be balanced at month end and ledgers should be maintained by the month.
Response:	We concur. Beginning in July 2014 these procedures will be put into place.

COMPLIANCE

14-5 Environmental Law Compliance

Condition and Criteria:	In a prior year it was determined that the County was in violation of the Georgia Rules for Underground Storage Tank Management. As of June 30, 2014, the County had not implemented procedures to correct the violation. This is a repeat finding from the prior year.
Effect:	The failure to comply with Georgia environmental laws could result in the assessment of penalties to the County and jeopardize funding received from the state.
Recommendation:	The County should implement procedures to correct the environmental violation related to the underground storage tanks.
Response:	We are working with outside engineers and State agencies to resolve issue.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

TALBOT COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity ID#	Federal Expenditures
U.S. Department of Homeland Security:			
Emergency Management Performance Grant	97.042		$ 5,500
U.S. Department of Transportation:			
Passed through Georgia Department of Transportation:			
Transit Operating Grant	20.507	GA-18-4030	150,358
Capital Investment Grant	20.509	GA-18-X033	38,748
Total U.S. Department of Transportation			189,106
U.S. Department of Health and Human Services:			
Passed through Georgia Dept. of Human Resources:			
Nutrition Program	93.045	00-007	63,485
U.S. Department of Housing and Urban Development:			
Passed through Georgia Dept. of Community Affairs:			
Community Development Block Grant	14.228	116-y-130-1-5346	477,017
Total expenditures of federal awards			$ 735,108

See accompanying notes to schedule of expenditures of federal awards.

TALBOT COUNTY, GEORGIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Talbot County, Georgia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Talbot County, Georgia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Talbot County, Georgia.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2) Pass-through entity identifying numbers are presented where available.

NOTE C – NONCASH AWARDS

The U.S. Department of Transportation Capital Investment Grant represents a non monetary award of equipment. The equipment is reported at fair market value as of the date received.