

Audit Report

*Sheriffs' Retirement Fund of Georgia
Fiscal Year Ended June 30, 2015*



The photograph on the cover was taken by Lacey Mitchell at Jekyll Island, Georgia.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

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SECTION I - FINANCIAL

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Board of Commissioners of the Sheriffs' Retirement Fund of Georgia
Mr. J. Terry Norris, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Sheriffs' Retirement Fund of Georgia (the Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund, as of June 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employers' and nonemployers' net pension liability, schedule of changes in employers' and nonemployers' net pension liability, schedule of employer and nonemployer contributions, and schedule of investment returns on pages 20-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2016 on our consideration of the Fund'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 the Fund's internal control over financial reporting and compliance.

Respectfully submitted,

Greg S. Griffin
State Auditor

September 14, 2016

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BASIC FINANCIAL STATEMENTS

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Statement of Fiduciary Net Position

June 30, 2015

Assets

Cash and cash equivalents		\$	2,209,387
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Receivables:

Interest and dividends receivable			170,929
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Investments - at fair value:

Obligations:

U.S. Treasury obligations	\$	1,459,652	
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U.S. Agency obligations		4,303,179	
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Corporate bonds/notes/debentures

Domestic		14,288,794	
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International		984,130	\$ 21,035,755
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Equities:

Mutual funds		29,572,242	
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Stocks

Domestic		32,773,790	
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International		3,845,744	66,191,776
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Total investments			<u>87,227,531</u>
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Total assets			<u>89,607,847</u>
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Liabilities:

Accounts Payable			<u>18,685</u>
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Total liabilities			<u>18,685</u>
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Net position restricted for pensions		\$	<u><u>89,589,162</u></u>
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See accompanying notes to financial statements.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Statement of Fiduciary Net Position

June 30, 2015

Additions:

Contributions:

Nonemployer	\$	2,030,097
Member		79,645

Net investment income:

Net increase in fair value of investments	\$	1,291,269
Interest, dividends, and other		2,877,373
Less investment expense		(460,592)
		<u>3,708,050</u>

Other additions		<u>40,287</u>
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Total additions		<u>5,858,079</u>
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Deductions:

Benefit payments		5,532,041
Administrative expenses, net		214,844
		<u>5,746,885</u>

Total deductions		<u>5,746,885</u>
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Net increase in net position		111,194
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Net position restricted for pensions:

Beginning of year		<u>89,477,968</u>
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End of year	\$	<u><u>89,589,162</u></u>
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See accompanying notes to financial statements.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

Note 1: Plan Description

The Sheriffs' Retirement Fund of Georgia (Retirement Fund) is a cost-sharing, multiple-employer defined benefit pension plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial reporting for Pension Plans – an amendment of GASB Statement No. 25*, established in 1963 by the General Assembly of Georgia for the purpose of paying retirement benefits to the sheriffs of the State of Georgia. The Board of Commissioners of the Retirement Fund is comprised of six members and consists of the state treasurer, one former sheriff who is a retired beneficiary of the Retirement Fund, and four persons holding office as sheriffs within the State of Georgia, each of whom are active members of the Retirement Fund and have held office as a sheriff for at least four years. The Sheriffs' Retirement Fund of Georgia, a component unit of the State of Georgia, is included within the State of Georgia's basic financial statements as fiduciary funds of the primary government.

Eligibility and Membership

Any qualified and commissioned sheriff of the superior court of any county within the State of Georgia who makes payment of the required contributions is eligible for membership.

As of June 30, 2015, participation in the Retirement Fund is as follows:

Retirees and beneficiaries currently receiving benefits	198
Terminated members not yet receiving benefits, vested	<u>5</u>
Total	<u><u>203</u></u>
Number of active members	<u><u>156</u></u>

Participating Employers and Other Contributing Entities

At June 30, 2015, the active members of the Fund were employed by 156 employers. The Fund also had one nonemployer contributing entity, which is the State of Georgia.

Retirement Benefits

The Retirement Fund provides retirement as well as death benefits. Benefit provisions and vesting requirements are established by statute and may be amended only by the General Assembly of Georgia. A description of plan benefits and vesting requirements is as follows:

- 1) ***Retirement Conditions:*** Normal retirement is at age 55 provided the member has at least four years of credited service as a sheriff after and including January 1, 1961. The credited service requirement is eight years for a sheriff who first or again becomes an active member on or after July 1, 1988. A member must have terminated his or her service as sheriff to receive benefit.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

- 2) **Retirement Benefit:** The monthly benefit is a single life annuity payable in monthly payments for the life of the member. The maximum monthly payment at June 30, 2015 is equal to \$144.39 per month (plus 1/12 of this amount for each month of any partial year) for each full year of creditable service up to a maximum of \$4,331.70 per month. The Board of Commissioners is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1½ percent of the maximum monthly retirement benefit then in effect.
- 3) **Optional Benefit:** Members may elect, as an alternate to the benefit described above, to receive a 100 percent joint life annuity payable during the life of the member or the member's spouse or a contingency life annuity with a 50 percent monthly payment to the surviving spouse. The amount of the benefit for these options is an actuarially reduced portion of the single life annuity benefit described above.
- 4) **Death Benefit**
 - a) In the event of the death of a member before retirement, the total amount of his or her contributions into the Retirement Fund shall be paid, without interest, to the surviving spouse, the named beneficiary or the member's estate.
 - b) In the event of the death of a member after retirement, who has yet to receive an amount in benefits equal to the total amount the member paid in as contributions, the difference shall be paid, without interest, to the surviving spouse, the named beneficiary or the member's estate.
 - c) Additionally, upon the death of the following, the sum of \$15,000 shall be paid to the surviving spouse, the named beneficiary or the member's estate:
 - (1) an inactive member who would otherwise qualify to be carried upon the active membership rolls except that he or she no longer holds office of sheriff;
 - (2) a member who is receiving retirement benefits;
 - (3) a member who is otherwise qualified to receive retirement benefits from this Retirement Fund except that he or she has not reached age 55 or has not filed an application or has not been approved for retirement benefits or
 - (4) any active member.
 - d) In addition to the death benefit discussed in item (4) c), upon the death of an active member, the surviving spouse receives an additional benefit in the form of a 100 percent joint life annuity. In such event, the death benefit discussed in item (4) a) will not be payable.
- 5) **Termination:** At any time before a member begins drawing retirement benefits, the member may request a refund of the total sum he or she has paid into the Retirement Fund as membership dues. No interest shall be paid upon amounts so withdrawn.
- 6) **Contributions:** Contribution provisions are established by statute and may be amended only by the General Assembly of Georgia. A description of contribution requirements is as follows:

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

- a) **Member Contributions:** Members must contribute \$45.00 per month, with a maximum payment period of thirty years.
- b) **Nonemployer Contributions:** Nonemployer contributions consist of court fines and forfeitures. For each criminal and quasi-criminal case involving the violation of State of Georgia statutes, including traffic laws, a sum based upon the scale set forth below is collected by the presiding judge and remitted to the Retirement Fund:

For fines or bond forfeitures in excess of \$5, in any court where a sheriff of a superior court acts as a sheriff	\$2
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In addition, the following amounts are required to be collected by the applicable courts and remitted to the Retirement Fund:

For civil actions, cases or proceedings filed in superior courts	\$1
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For civil actions, cases or proceedings filed in state courts and magistrate courts where a sheriff of the superior courts acts as a sheriff in those courts	\$1
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In accordance with O.C.G.A. 47-20-10, the nonemployer contributions are considered employer contributions for the purpose of determining whether the Retirement Fund has met minimum funding requirements. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2015, calculated the minimum employer contribution for the fiscal year ended June 30, 2015, as \$1,608,502. The nonemployer contributions of \$2,030,097 for the fiscal year ended June 30, 2015, meets the minimum required fund contribution.

Actual contributions for the year ended June 30, 2015, were as follows:

Member Contributions	\$	79,645
Nonemployer Contributions		<u>2,030,097</u>
Total	\$	<u><u>2,109,742</u></u>

7) **Administrative Expenses:**

Administrative expenses are generally funded from current member and nonemployer contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Retirement Fund's financial statements are prepared on the accrual basis of accounting, except for the collection of contributions which are recognized when collected from the courts. Any accrual of these contributions would be immaterial to the Retirement Fund's financial statements. Contributions from members are recognized as additions in the period in which the members provide services. Retirement benefit and refund payments are recognized as deductions when due and payable.

Reporting Entity

The Retirement Fund is a component unit of the State of Georgia; however, it is accountable for its own fiscal matters and presentation of its separate financial statements. The Retirement Fund has considered potential component units under GASB Statements No. 61, *The Financial Reporting Entity's Omnibus – an amendment of GASB Statement No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and determined there were no component units of the Fund.

Cash and Cash Equivalents

Cash and cash equivalents, reported at cost, include cash in banks, cash on deposit with the investment custodian earning a credit to offset fees, and short-term highly liquid financial securities with original maturities of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. There are no investments in, loans to, or leases with parties related to the Retirement Fund.

The Retirement Fund utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, foreign currency, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

The Retirement Fund maintains an investment policy that may be amended by its Board of Commissioners both upon its own initiative and upon consideration of the advice and recommendations of its investment consultants. There were no significant changes in the investment policy for the Retirement Fund during the fiscal year.

The Retirement Fund's policy in regard to the allocation of invested assets is established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term

SHERIFFS' RETIREMENT FUND OF GEORGIA

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Notes to Financial Statements

June 30, 2015

objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the Retirement Fund's adopted asset allocation policy as of June 30, 2015:

Asset Class	Target Allocation Range
Fixed income	25% - 40%
U.S. Equities	50% - 75%
International Equities	10% - 20%
Real Estate Investment Trusts (REITs)	0% - 5%
Cash	0% - 10%

The Pension Fund has no investments in any one organization, other than those issued by the U.S. government and its instrumentalities that represent 5% or more of the Fund's net position restricted for pensions.

For the year ended June 30, 2015, the annual money weighted rate of return on pension plan investments, net of plan investment expense, was 4.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of fiduciary net position and changes therein. Actual results could differ from those estimates.

Note 3 - Investment Program

The Retirement Fund maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested as directed by the investment policy of the Retirement Fund. All investments are held by agent custodial banks in the name of the Retirement Fund. State statutes and the Retirement Fund's investment policy authorize the Retirement Fund to invest in a variety of short-term and long-term securities as follows:

- U.S. or Canadian corporations or their obligations with limits as to the corporations' size and credit rating.
- Foreign common stocks (traded on U.S. Exchanges or those of International open or closed-end (ETF's) mutual funds.
- Repurchase and reverse repurchase agreements for direct obligations of the U.S. Government and for obligations unconditionally guaranteed by agencies.
- Federal Deposit Insurance Corporation (FDIC) insured cash assets or deposits.
- Bonds, notes, warrants, loans or other debt issued or guaranteed by the U.S. Government.
- Taxable bonds, notes, warrants or other securities issued and guaranteed by any state, the District of Columbia, Canada or any province in Canada.
- Bonds, debentures or other securities issued or insured or guaranteed by an agency, authority, unit, or corporate body created by the U.S. Government.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

- Investment grade collateralized mortgage obligations. Obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation.
- Bonds, debentures, notes and other evidence of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, which are not in default and are secured to a certain level.
- Secured and unsecured obligations issued by any solvent institution existing under the laws of the U.S. or of Canada, or any state or province thereof, bearing interest at a fixed rate, with mandatory principal and interest due at a specified time with additional limits.
- Equipment trust obligations or interests in transportation equipment, wholly or in part within the U.S., and the right to receive determinate portions or related income.
- Loans that are secured by pledge or securities eligible for investment.
- Purchase money mortgages or like securities received upon the sale or exchange of real property acquired.
- Secured mortgages or mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar securities with restrictions.
- Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business with restrictions.
- Real property and equipment acquired under various circumstances.

Cash and Cash Equivalents

The carrying amount of the Retirement Fund's deposits totaled \$30,746 at June 30, 2015, with actual bank balances of \$31,991. The Retirement Fund's cash balances are fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. Government.

The carrying amount of the Fund's cash balances maintained within an investment account is \$2,953, which is also the investment account's balance. The Fund's cash balance is fully insured through the Securities Investors Protection Corporation, an independent agency of the U.S. Government.

Short-term highly liquid financial securities are authorized in the investment policy of the Retirement Fund in money market funds. This investment is classified as a cash equivalent on the Retirement Fund's Statement of Fiduciary Net Position. At June 30, 2015, the Retirement Fund held \$2,175,688 in money market mutual funds.

Investments

Fixed income investments are authorized in the following instruments:

- U.S. Government obligations. At June 30, 2015, the Retirement Fund held U.S. Treasury bonds of \$1,459,652.
- U.S. Agency obligations. At June 30, 2015, the Retirement Fund held U.S. Government obligations of \$4,303,179.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

- Corporate bonds that are rated as investment grade as defined by a nationally recognized rating agency. At June 30, 2015, the Retirement Fund held U.S. corporate bonds of \$14,288,794 and international corporate bonds of \$984,130.

Equity securities are also authorized by the Public Retirement System Investment Authority Law for investment as a complement to the Retirement Fund's fixed income portfolio and as a long-term inflation hedge. By statute, no more than 75% of the total invested assets on a historical cost basis may be placed in equities. Equity holdings in any one corporation may not exceed 5% of the equity portfolio, based on cost. The equity portfolio is managed by the Retirement Fund in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the investment policy of the Retirement Fund. Equity trades are approved and executed by the independent advisors. Common stocks eligible for investment must meet the Investment Objectives and Guidelines of the Retirement Fund investment policy. Equity investments are authorized in the following instruments:

- Domestic equities are those securities considered by The Official Code of Georgia Annotated (O.C.G.A.) to be domiciled in the United States. At June 30, 2015, the Retirement Fund held domestic equity mutual funds of \$19,956,427 and other domestic equities of \$32,773,790 for a total of \$52,730,217.
- International equities will be a diversified portfolio including both developed and emerging countries. These securities are not considered by the O.C.G.A. to be domiciled in the United States. At June 30, 2015, the Retirement Fund held international equity mutual funds of \$9,615,815.

Foreign Currency Risk: Foreign currency risk is the potential risk of loss from fluctuating foreign exchange rates when funds are invested in currency other than U S Dollars. The Fund's exposure to foreign currency risk derives from its positions in 57 UK based companies traded on the London Stock Exchange and denominated in British Pounds. The base market value of these holdings as of June 30, 2015 totaled \$9,615,815 valued in US dollars. The accrued earnings in the Fund as of June 30, 2015 totaled \$18,205 valued in US dollars. Dividends are issued in British Pounds which are translated at the prevailing rates of exchange on valuation date. The Retirement Fund does not have a formal policy for managing foreign currency risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Retirement Fund. State law limits investments to investment grade securities. The Retirement Fund's investment policy requires that purchases of bonds be restricted to bonds rated as investment grade with no more than 10% of the bond portfolio invested in securities rated lower than "A" as defined by a nationally recognized rating agency. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The quality ratings of investments in fixed income securities as described by Moody's Investor Services, which is a nationally recognized statistical rating organization, at June 30, 2015 are shown in the following chart:

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

<u>Investment Type</u>	<u>Moody's quality rating</u>	<u>June 30, 2015 fair value</u>
Domestic obligations:		
Money market mutual funds	Unrated	\$ <u>2,175,688</u>
U.S. Treasuries	AAA	<u>1,459,652</u>
U.S. Agency Obligations	AAA	1,073,886
	Unrated	<u>3,229,293</u>
Total U.S. Agency Obligations		<u>4,303,179</u>
Corporates	AAA	100,562
	AA	1,076,884
	A	4,541,237
	BAA	5,542,243
	Unrated	<u>3,027,868</u>
Total Corporates - Domestic		<u>14,288,794</u>
International obligations:		
Corporates	AA	44,051
	A	310,301
	BAA	<u>629,778</u>
Total Corporates - International		<u>984,130</u>
Total fixed income Investments		\$ <u><u>23,211,443</u></u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The Retirement Fund's concentration of credit risk policy limits investments to no more than 5% in any one issue, based on cost. On June 30, 2015, the Retirement Fund did not have any debt or equity investments in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, which represented greater than 5% of total investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Retirement Fund does not have a formal policy for managing interest rate risk. The following table provides information about the Retirement Fund's interest rate risk:

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(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2015

<u>Fixed income investment type</u>	<u>Total Fair Value</u>	<u>Maturity Period</u>				
		<u>Less than 3 Months</u>	<u>4-12 Months</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>More than 10 Years</u>
Money market mutual funds	\$ 2,175,688	\$ 2,175,688	\$ -	\$ -	\$ -	\$ -
Corporate debt						
Domestic	\$ 14,288,794	-	201,572	4,278,734	4,111,967	5,696,521
International	\$ 984,130	-	201,442	305,603	146,303	330,782
U. S. Agency obligations	\$ 4,303,179	-	-	200,272	882,863	3,220,044
U. S. Treasury obligations	\$ 1,459,652	-	-	263,310	492,038	704,304
Total fixed income investments	<u>\$ 23,211,443</u>	<u>\$ 2,175,688</u>	<u>\$ 403,014</u>	<u>\$ 5,047,919</u>	<u>\$ 5,633,171</u>	<u>\$ 9,951,651</u>

Note 4 - Net Pension Liability of Employers and Non-employers

The components of the Retirement Fund net pension liability at June 30, 2015, were as follows:

Total pension liability	\$ 111,637,917
Plan fiduciary net position	<u>(89,589,162)</u>
Employers' and nonemployers' net pension liability	<u>\$ 22,048,755</u>
Plan fiduciary net position as a percentage of the total pension liability	80.25%

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	3.0 percent
Salary increases	N/A
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Mortality Table (no margins) for the period after retirement, for dependent beneficiaries, and for deaths in active service.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study.

Retirement benefit at Normal Retirement Date has increased by 1.50 percent every 6 months in the monthly benefit per year of credited service since July 1, 2000 and are assumed to continue into the future.

SHERIFFS' RETIREMENT FUND OF GEORGIA

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Notes to Financial Statements

June 30, 2015

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Fixed Income	25.0%	3.5%
Domestic Large Cap Equities	40.0%	7.5%
Domestic Mid Cap Equities	3.5%	8.4%
Domestic Small Cap Equities	3.5%	8.6%
Global Equities	10.0%	8.5%
International Equities	15.0%	8.5%
REIT	<u>3.0%</u>	8.5%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions (dues) will be made at the current contribution rate (\$45 per month) and that nonemployer contributions will continue to be made at rates currently established by statute. Nonemployer contributions for the fiscal year ending June 30, 2015 were approximately \$2.0 million and it has been assumed this contribution amount will continue over the projection period. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the Retirement Fund calculated using the discount rate of 6.50 percent, as well as what the Retirement Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employers' and nonemployers' net pension liability	\$33,607,490	\$22,048,755	\$12,237,793

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Schedules of Required Supplementary Information

**SCHEDULE OF EMPLOYERS' AND
NONEMPLOYERS' NET PENSION LIABILITY**

For the Year Ended June 30
(unaudited)

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 111,637,917	\$ 109,279,727
Plan fiduciary net position	<u>89,589,162</u>	<u>89,477,968</u>
Employers' and nonemployers' net pension liability	<u>\$ 22,048,755</u>	<u>\$ 19,801,759</u>
Plan fiduciary net position as a percentage of the total pension liability	80.25%	81.88%
Covered employee payroll	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered employee payroll	N/A	N/A

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

See accompanying notes to required supplementary information and accompanying independent auditor's report.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Schedules of Required Supplementary Information

SCHEDULE OF CHANGES IN EMPLOYERS' AND NONEMPLOYERS' NET PENSION LIABILITY

For the Year
Ended June 30
(unaudited)

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 1,740,512	\$ 1,850,878
Interest	6,923,391	6,719,420
Changes of benefit terms	-	-
Differences between expected and actual experience	(773,672)	-
Changes of assumptions	-	-
Benefit payments	(5,532,041)	(5,332,521)
Refunds of contributions	-	-
Net change in total pension liability	<u>2,358,190</u>	<u>3,237,777</u>
Total pension liability—beginning	<u>109,279,727</u>	<u>106,041,950</u>
Total pension liability—ending (a)	<u>111,637,917</u>	<u>109,279,727</u>
Plan fiduciary net position		
Contributions—nonemployer	2,030,097	2,086,369
Contributions—member	79,645	116,912
Net investment income	3,708,050	12,531,353
Benefit payments	(5,532,041)	(5,332,521)
Administrative expense	(214,844)	(216,635)
Refunds of contributions	-	-
Other	<u>40,287</u>	<u>3,994</u>
Net change in plan fiduciary net position	<u>111,194</u>	<u>9,189,472</u>
Plan fiduciary net position—beginning	<u>89,477,968</u>	<u>80,288,496</u>
Plan fiduciary net position—ending (b)	<u>89,589,162</u>	<u>89,477,968</u>
Net pension liability —ending (a) - (b)	<u>\$ 22,048,755</u>	<u>\$ 19,801,759</u>

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

See accompanying notes to required supplementary information and accompanying independent auditor's report.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Schedules of Required Supplementary Information

SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS

For the Year Ended June 30
(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	\$1,608,502	\$ 1,357,827	\$1,357,827	\$1,101,385	\$1,101,385	\$401,174	\$401,174	\$657,100	\$657,100	\$533,227
Actual Contribution	<u>2,030,097</u>	<u>2,086,369</u>	<u>2,336,786</u>	<u>2,678,871</u>	<u>2,498,355</u>	<u>2,651,756</u>	<u>2,799,016</u>	<u>2,694,857</u>	<u>2,631,678</u>	<u>2,422,554</u>
Annual contribution deficiency (excess)	\$(421,595)	\$ (728,542)	\$ (978,959)	\$(1,577,486)	\$(1,396,970)	\$(2,250,582)	\$(2,397,842)	\$(2,037,757)	\$(1,974,578)	\$(1,889,327)
Covered-employee payroll	N/A									
Actual contributions as a percentage of covered-employee payroll	N/A									

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Schedules of Required Supplementary Information

SCHEDULE OF INVESTMENT RETURNS

For the Year Ended June 30
(unaudited)

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	4.60%	16.56%

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

See accompanying notes to required supplementary information and accompanying independent auditor's report.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

June 30, 2015

(unaudited)

1) Schedule of Changes in Net Pension Liability

The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Retirement Fund.

(2) Actuarial Methods and Assumptions

Changes of benefit terms: Retirement benefit at Normal Retirement Date has increased based on the following table since July 1, 2012. These 1.50 percent increases every 6 months in the monthly benefit per year of credited service have occurred since July 1, 2000 and are assumed to continue into the future.

<u>Date</u>	<u>Change</u>	<u>Total Benefit per Year of Service</u>
July 1, 2012	\$ 1.95	\$ 134.09
January 1, 2013	2.01	136.10
July 1, 2013	2.01	138.11
January 1, 2014	2.07	140.18
July 1, 2014	2.07	142.25
January 1, 2015	2.14	144.39
July 1, 2015	2.14	146.53

Changes of assumptions: None

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market value with 10% corridor
Inflation	3.00 %
Salary increase	N/A
Investment rate of return	6.50 %, net of Retirement Fund expenses, including inflation

**SECTION II - 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***

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

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*

Independent Auditor's Report

The Honorable Nathan Deal, Governor of Georgia
Members of the General Assembly of the State of Georgia
Board of Commissioners of the Sheriffs' Retirement Fund of Georgia
Mr. J. Terry Norris, Executive Director

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sheriffs' Retirement Fund of Georgia (the Fund), a component unit of the State of Georgia, which include the statement of fiduciary net position as of June 30, 2015, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Fund in a separate letter dated September 14, 2016.

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.

Respectfully submitted,

Greg S. Griffin
State Auditor

September 14, 2016

GSG:bsw