FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Fannin County, Georgia
Blue Ridge, Georgia

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of and for the year ended December 31, 2011, which collectively comprise Fannin County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fannin County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fannin County Department of Public Health, which represents 9% and 76%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Fannin County Department of Public Health, is based on the report of the other auditors.

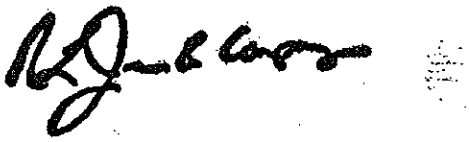
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of December 31, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund, and the Emergency 911 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2012, on our consideration of Fannin 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* and should be considered in assessing the results of our audit.

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. The Schedule of Funding Progress for the Fannin County Retirement Plan on page 36 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fannin County, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements on pages 38 through 42 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax on page 43 is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is also not a required part of the financial statements. The accompanying Schedule of State Contractual Assistance on page 44 is presented for purposes of additional analysis as required by the Georgia Department of Human Resources, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax and the Schedule of State Contractual Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Ellijay, Georgia
April 27, 2012

BASIC FINANCIAL STATEMENTS

FANNIN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government	Component Units		
	Governmental Activities	Department of Public Health	Parks and Recreation Commission	Development Authority
ASSETS				
Cash and cash equivalents	$ 6,310,975	$ 177,005	$ 19,053	$ 8,436
Restricted cash and cash equivalents	3,091,085	-	-	-
Property taxes receivable	1,148,475	-	-	-
Accounts receivable, net	592,103	22,350	-	181,067
Due from other governments	827,503	-	-	-
Due from primary government	-	-	-	33,902
Prepaid items	127,575	-	-	-
Capital assets, not being depreciated	2,504,799	-	-	887,984
Capital assets, net of accumulated depreciation	30,940,780	2,594	-	875,430
Net pension asset	193,262	-	-	-
Total assets	$ 45,736,557	$ 201,949	$ 19,053	$ 1,986,819
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 358,448	$ -	$ -	$ 181,067
Accrued liabilities	116,687	51,733	-	3,000
Due to component unit	33,902	-	-	-
Due to other governments	72,641	4,590	-	-
Internal balances	-	-	-	-
Accrued interest	159,252	-	-	-
Long-term liabilities:				
Due within one year	865,392	-	-	4,137
Due in more than one year	8,613,165	-	-	451,061
Total liabilities	10,219,487	56,323	-	639,265
Net Assets:				
Invested in capital assets, net of related debt	23,967,022	2,594	-	1,763,414
Restricted for:				
Capital projects	2,632,004	-	-	-
Other purposes	538,488	-	-	-
Unrestricted	8,379,556	143,032	19,053	(415,860)
Total net assets	35,517,070	145,626	19,053	1,347,554
Total liabilities and net assets	$ 45,736,557	$ 201,949	$ 19,053	$ 1,986,819

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets: Component Units: Department of Public Health	Net (Expenses) Revenues and Changes in Net Assets: Component Units: Parks and Recreation Commission	Net (Expenses) Revenues and Changes in Net Assets: Component Units: Development Authority
Primary government:								
Governmental activities:								
General government	$ 2,900,955	$ 45,084	$ 642	$ -	$ (2,855,229)			
Judicial	1,859,907	451,401	28,561	-	(1,379,945)			
Public safety	6,086,496	1,641,845	130,023	96	(4,314,532)			
Public works	6,123,141	38,253	632	299,054	(5,785,202)			
Health and welfare	413,479	51,274	136,852	-	(225,353)			
Culture and recreation	734,056	2,750	-	9,602	(721,704)			
Housing and development	948,248	104,810	-	-	(843,438)			
Interest on long-term liabilities	456,084	-	-	-	(456,084)			
Total governmental activities	$ 19,522,366	$ 2,335,417	$ 296,710	$ 308,752	(16,581,487)			
Component units:								
Department of Public Health	$ 513,591	$ 195,476	$ 189,853	$ -		$ (128,262)	$ -	$ -
Recreation and Parks Commission	121,135	133,613	-	-		-	12,478	-
Development Authority	39,061	3,638	-	-		-	-	(35,423)
Total component units	$ 673,787	$ 332,727	$ 189,853	$ -		(128,262)	12,478	(35,423)
General Revenues:								
Property taxes					7,758,089	-	-	-
Franchise taxes					92,066	-	-	-
Sales taxes					6,422,314	-	-	-
Other taxes					1,423,225	-	-	-
Miscellaneous revenues					6,304	53,213	-	-
Unrestricted investment earnings					22,588	-	-	16
Total general revenues					15,724,586	53,213	-	16
Change in net assets					(856,901)	(75,049)	12,478	(35,407)
Net assets, beginning of year, restated					36,373,971	220,675	6,575	1,382,961
Net assets, end of year					$ 35,517,070	$ 145,626	$ 19,053	$ 1,347,554

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	SPLOST/ Roads	Water/ Capital Projects	Emergency 911	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 6,289,808	$ 2,298,757	$ 500	$ 307,086	$ 505,909	$ 9,402,060
Property taxes receivable	1,148,475	-	-	-	-	1,148,475
Accounts receivable, net	413,087	-	-	49,811	129,205	592,103
Due from other governments	410,685	405,570	-	-	11,248	827,503
Due from other funds	758,027	93,040	-	-	337,955	1,189,022
Prepaid items	122,575	-	-	5,000	-	127,575
Total assets	$ 9,142,657	$ 2,797,367	$ 500	$ 361,897	$ 984,317	$ 13,286,738
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 194,967	$ 18,781	$ -	$ 4,673	$ 140,027	$ 358,448
Accrued liabilities	116,687	-	-	-	-	116,687
Due to other funds	93,040	414,480	364,450	237,912	79,140	1,189,022
Due to component unit	6,749	-	-	-	27,153	33,902
Due to other governments	-	72,641	-	-	-	72,641
Deferred revenue	594,245	-	-	-	-	594,245
Total liabilities	1,005,688	505,902	364,450	242,585	246,320	2,364,945
Fund Balances:						
Nonspendable	122,575	-	-	5,000	-	127,575
Restricted	-	2,291,465	-	114,312	764,715	3,170,492
Unassigned	8,014,394	-	(363,950)	-	(26,718)	7,623,726
Total fund balances	8,136,969	2,291,465	(363,950)	119,312	737,997	10,921,793
Total liabilities and fund balances	$ 9,142,657	$ 2,797,367	$ 500	$ 361,897	$ 984,317	$ 13,286,738

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

Total fund balances - governmental funds	$ 10,921,793
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,445,579
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	594,245
Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds.	(9,637,809)
The net pension asset is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	193,262
Total net assets - governmental activities	$ 35,517,070

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	SPLOST/ Roads	Water/ Capital Projects	Emergency 911	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 6,890,945	$ -	$ -	$ -	$ -	$ 6,890,945
Franchise taxes	92,066	-	-	-	-	92,066
Sales taxes	2,834,787	3,587,527	-	-	-	6,422,314
Other taxes	908,147	-	-	-	515,078	1,423,225
Licenses and permits	111,559	-	-	-	-	111,559
Intergovernmental	1,100,792	236,713	-	-	88,283	1,425,788
Fines and forfeitures	625,161	-	-	-	102,752	727,913
Charges for services	918,521	-	-	361,203	-	1,279,724
Investment income	18,786	9,242	-	1,172	2,631	31,831
Contributions and donations	96	-	-	-	-	96
Other	173,424	38,104	632	-	-	212,160
Total revenues	13,674,284	3,871,586	632	362,375	708,744	18,617,621
EXPENDITURES						
Current:						
General government	2,273,847	-	-	-	-	2,273,847
Judicial	1,822,187	-	-	-	32,156	1,854,343
Public safety	4,911,404	-	-	566,177	80,688	5,558,269
Public works	2,461,649	-	132	-	-	2,461,781
Health and welfare	324,198	-	-	-	43,126	367,324
Housing and development	380,960	-	-	-	561,545	942,505
Culture and recreation	626,838	-	-	-	144	626,982
Intergovernmental	-	426,101	-	-	-	426,101
Capital outlay:						
General government	307,270	-	-	-	-	307,270
Judicial	-	-	-	-	1,190	1,190
Public safety	274,078	-	-	-	105,654	379,732
Public works	-	3,855,373	77,863	-	-	3,933,236
Health and welfare	11,200	-	-	-	-	11,200
Housing and development	-	-	-	-	-	-
Culture and recreation	12,025	-	-	-	9,600	21,625
Debt service:						
Principal	166,014	-	-	-	685,000	851,014
Interest	30,938	-	-	-	441,828	472,766
Total expenditures	13,602,608	4,281,474	77,995	566,177	1,960,931	20,489,185
Excess (deficiency) of revenues over (under) expenditures	71,676	(409,888)	(77,363)	(203,802)	(1,252,187)	(1,871,564)
OTHER FINANCING SOURCES (USES)						
Proceeds from capital leases	158,735	-	-	-	-	158,735
Transfers in	1,702	-	-	-	1,551,260	1,552,962
Transfers out	(1,362,961)	(188,299)	-	-	(1,702)	(1,552,962)
Total other financing sources (uses)	(1,202,524)	(188,299)	-	-	1,549,558	158,735
Net change in fund balances	(1,130,848)	(598,187)	(77,363)	(203,802)	297,371	(1,712,829)
FUND BALANCES, beginning of year, restated	9,267,817	2,889,652	(286,587)	323,114	440,626	12,634,622
FUND BALANCES, end of year	$ 8,136,969	$ 2,291,465	$ (363,950)	$ 119,312	$ 737,997	$ 10,921,793

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - governmental funds	$ (1,712,829)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	100,179
Capital assets contributed are not reported in governmental funds as they do not provide current financial resources, but are reported in the Statement of Activities.	53,100
The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance of debt is treated as a liability in the Statement of Net Assets.	(158,735)
The repayment of long-term debt consumes the current financial resources of governmental funds; however, such repayment is treated as the reduction of a liability in the Statement of Net Assets.	851,014
The decrease in net pension asset does not require the use of current financial resources and is not reported in governmental funds.	(1,054)
Property tax revenues deferred at the end of 2010 in the governmental funds as they did not provide current financial resources, were collected during 2011 and reported as revenues in the governmental funds.	(5,256)
Certain interest expense accrued and reported in the 2010 Statement of Activities did not require the use of current financial resources until 2011 and, therefore, are reported as expenditures in governmental funds during 2011.	16,680
Change in net assets - governmental activities	$ (856,901)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Property taxes	$ 8,865,962	$ 8,865,962	$ 6,890,945	$ (1,975,017)
Franchise taxes	90,000	90,000	92,066	2,066
Sales taxes	2,800,000	2,800,000	2,834,787	34,787
Other taxes	917,000	917,000	908,147	(8,853)
Licenses and permits	125,450	125,450	111,559	(13,891)
Intergovernmental	961,075	961,075	1,100,792	139,717
Fines and forfeitures	222,500	222,500	625,161	402,661
Charges for services	751,100	751,100	918,521	167,421
Investment income	-	-	18,786	18,786
Contributions and donations	-	-	96	96
Other	-	-	173,424	173,424
Total revenues	14,733,087	14,733,087	13,674,284	(1,058,803)
EXPENDITURES				
Current:				
General government:				
Legislative	1,113,925	1,113,925	749,142	364,783
Elections	249,413	249,413	96,167	153,246
Purchasing	15,000	15,000	10,695	4,305
Tax commissioner	433,865	433,865	387,345	46,520
Tax assessor	672,735	672,735	670,767	1,968
Building and grounds	655,849	655,849	641,860	13,989
General administration	24,000	24,000	25,141	(1,141)
Total general government	3,164,787	3,164,787	2,581,117	583,670
Judicial:				
Superior court	267,862	267,862	251,802	16,060
Clerk of Superior court	493,027	493,027	440,860	52,167
District attorney	185,150	185,150	155,482	29,668
Drug task force	45,000	45,000	53,221	(8,221)

(continued)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
EXPENDITURES (continued)				
Current (continued):				
Judicial (continued):				
Magistrate court	$ 234,586	$ 234,586	$ 225,273	$ 9,313
Probate court	248,543	248,543	249,657	(1,114)
Juvenile court	209,499	209,499	206,127	3,372
Public defender	221,214	221,214	239,765	(18,551)
Total judicial	1,904,881	1,904,881	1,822,187	82,694
Public safety:				
Sheriff	1,406,918	1,406,918	1,551,874	(144,956)
Detention center	1,244,025	1,244,025	1,224,427	19,598
Resource officer	98,063	98,063	(892)	98,955
Probation center	31,746	31,746	31,558	188
Fire	427,700	427,700	310,353	117,347
Emergency medical services	1,661,779	1,661,779	1,717,687	(55,908)
Coroner	26,955	26,955	24,694	2,261
E-911	125,451	125,451	34,223	91,228
Animal control	192,079	192,079	180,885	11,194
Emergency management	131,519	131,519	110,673	20,846
Total public safety	5,346,235	5,346,235	5,185,482	160,753
Public works:				
Roads and bridges	1,485,153	1,485,153	2,443,719	(958,566)
Closure and postclosure care	22,000	22,000	17,930	4,070
Total public works	1,507,153	1,507,153	2,461,649	(954,496)
Health and welfare:				
Public heatlh	60,545	60,545	67,350	(6,805)
Welfare	45,498	45,498	39,967	5,531
Senior citizen center	112,042	112,042	207,526	(95,484)
Other direct assistance	27,554	27,554	20,555	6,999
Total health and welfare	245,639	245,639	335,398	(89,759)

(continued)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Housing and development:				
County extension	$ 30,101	$ 30,101	$ 19,862	$ 10,239
Natural Resources Soil Conservation	9,000	9,000	7,576	1,424
Land development	342,116	342,116	248,130	93,986
Development Authority	129,956	129,956	105,392	24,564
Total housing and development	511,173	511,173	380,960	130,213
Culture and recreation:				
Recreation	488,232	488,232	404,003	84,229
Arts	63,782	63,782	66,781	(2,999)
Regional library	167,720	167,720	168,079	(359)
Historical Commission	6,000	6,000	-	6,000
Total culture and recreation	725,734	725,734	638,863	86,871
Debt service:	1,327,485	1,327,485	196,952	1,130,533
Total expenditures	14,733,087	14,733,087	13,602,608	1,130,479
Excess (deficiency) of revenues over (under) expenditures	-	-	71,676	71,676
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	158,735	158,735
Transfers in	-	-	1,702	1,702
Transfers out	-	-	(1,362,961)	(1,362,961)
Total other financing sources (uses)	-	-	(1,202,524)	(1,202,524)
Net change in fund balance	-	-	(1,130,848)	(1,130,848)
FUND BALANCE, beginning of year, restated	9,267,817	9,267,817	9,267,817	-
FUND BALANCE, end of year	$ 9,267,817	$ 9,267,817	$ 8,136,969	$ (1,130,848)

(concluded)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EMERGENCY 911 FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Charges for services	$ 410,000	$ 410,000	$ 361,203	$ (48,797)
Investment income	2,000	2,000	1,172	(828)
Total Revenues	412,000	412,000	362,375	(49,625)
EXPENDITURES				
Public safety	412,000	412,000	566,177	(154,177)
Total expenditures	412,000	412,000	566,177	(154,177)
Excess (deficiency) of revenues over (under) expenditures	-	-	(203,802)	(203,802)
OTHER FINANCING SOURCES (USES)	-	-	-	-
Net change in fund balance	-	-	(203,802)	(203,802)
FUND BALANCE, beginning of year	323,114	323,114	323,114	-
FUND BALANCE, end of year	$ 323,114	$ 323,114	$ 119,312	$ (203,802)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2011

	Agency Funds
ASSETS	
Cash	$ 3,087,954
Restricted cash	193,541
Taxes receivable	3,911,945
Total assets	$ 7,193,440
LIABILITIES	
Due to others	$ 7,193,440
Total liabilities	$ 7,193,440

The accompanying notes are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fannin County, Georgia (the "County") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

A. Reporting Entity

The County operates under a County Commission form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Fannin County, Georgia (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", the component units' financial statements have been included as discretely presented or blended, as required. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the County's reporting entity.

The **Fannin County Development Authority** (the "Development Authority") provides a means to develop and promote trade, commerce, industry and employment opportunities within the County. The Development Authority is used as a flow through for grant monies and expenditures for real estate development projects. All nine board members of the Development Authority are appointed by the County and the County has a significant financial relationship with the Development Authority. Financial information related to the Development Authority may be obtained from the Office of the County Clerk of Fannin County, Georgia.

The **Fannin County Parks and Recreation Commission** (the "Parks and Recreation Commission") manages and maintains parks and recreation facilities for the benefit of Fannin County citizens. The County appoints all seven of the Parks and Recreation Commission's board members and the County has a significant financial relationship with the Parks and Recreation Commission. Financial information related to the Parks and Recreation Commission may be obtained from the Office of the County Clerk of Fannin County, Georgia.

The **Fannin County Department of Public Health** (the "Health Department") provides health related services to residents of Fannin County. The County provides the Health Department with its building space, liability insurance, maintenance on the building and janitorial services. The presentation of the Health Department's financial information was taken from its audited financial report as of June 30, 2011. Separate financial statements for the Health Department can be obtained from their administrative offices at Georgia Department of Health Resources, Northwest Health District, 111 Bryant Crossing, Suite AA, Dalton, Georgia 30720.

The **Fannin County Building Authority** (the "Building Authority") is also governed by a board appointed by the County Commissioners who have the ability to impose their will on the Building Authority. Although it is legally separate from the County, the Building Authority is reported as if it is a part of the primary government, as a blended component unit, because its primary purpose is to acquire, construct, and maintain capital projects for use by the County. Financial information related to the Fannin County Building Authority may be obtained from the Office of the County Clerk of Fannin County, Georgia.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately. 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 reports 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* include: 1) charges to those 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 operation 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

The SPLOST/Roads Fund accounts for the financial resources provided from the Special Purpose Local Option Sales Tax in which such resources are to be used for the maintenance and construction of roads, streets, and bridges or other legally authorized purposes.

The Water/Capital Projects Fund accounts for capital expenditures in connection with the development and construction of the County's future water system. Expenditures through December 31, 2011 have been funded by loans from the General Fund. Financial resources provided by grants and the County's 2011 Special Purpose Local Option Sales Tax will provide future funding.

The Emergency 911 Fund accounts for receipt of fees imposed on land and wireless telephone lines in the County used to offset the operating and personnel costs of providing emergency services.

Additionally, the County reports the following fund types:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Agency (fiduciary) funds are used to account for the collection and disbursement of monies by the county on behalf of other governments and individuals.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The Water/Capital Projects Fund, as described above, was inadvertently reported in the December 31, 2010, financial report as the Water and Sewer Authority, a major proprietary fund. During 2011, the balances in the proprietary fund at December 31, 2010, were transferred to the Water/Capital Projects Fund. (See also Note 17 for the effect on beginning fund balance and net assets of reclassifying balances from a proprietary fund to a capital projects fund.) The Water/Capital Projects Fund is currently used to account for capital expenditures related to the County's future water system. Management's intentions are to eventually turn this water system over to the newly formed Fannin County Water Authority (the "Water Authority"), which is a political subdivision of the State of Georgia, approved by the State of Georgia in April, 2010. The Water Authority consists of seven (7) voting members appointed by the County Commissioners. Commissioners may appoint themselves as members. The executive director of the Fannin County Development Authority serves as a nonvoting member of the Water Authority. The Water Authority had no cash accounts and no operating activities in 2010 or 2011.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized by the governmental funds.

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

D. Cash and Investments

Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. Georgia statutes authorize the County to invest in U.S. Government obligations; U.S. Government agency obligations; obligations of the State of Georgia; obligations of other counties; municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc.; repurchase agreements when collateralized by the U.S. government or agency obligations; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Interfund Transactions and Balances

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Outstanding interfund balances at year end related to such reimbursements, as well as activity between funds representative of lending/borrowing arrangements, are reported as "due to/from other funds" in the governmental fund financial statements. All other interfund transactions are reported as transfers. At year end, all interfund balances outstanding and all transfers among governmental funds are eliminated in the government-wide statements.

F. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items. Prepaid items reported in the governmental funds are also equally offset by fund balance classified as nonspendable, which indicates that they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements. Capital assets, not including infrastructure, are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life of two or more years. 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. General infrastructure assets acquired prior to July 1, 2001 consist of road network assets that were acquired or that received substantial improvements subsequent to January 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The capitalization threshold for infrastructure is $50,000.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset Category	Years
Infrastructure	30
Buildings	50
Building Improvements	20
Machinery and Equipment	3-15
Vehicles	2-15

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities of the primary government under governmental activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

The County offers full-time employees compensated time off for vacation and sickness. Vacation leave is determined by the years of services and sick leave is accrued at one-half day per month, or six days per year. Vacation leave is forfeited if not taken by December 31st of each calendar year; therefore, it is expensed as incurred. Accrued and unpaid sick leave at year end is not recorded as a liability as it is contingent upon employees' future illness.

J. Fund Balance

The County has adopted GASB Statement No. 54, which establishes criteria for classifying fund balances in governmental fund financial statements. Fund balances are presented based on classifications that comprise a hierarchy which is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified prepaid items as being Nonspendable as these items are not resources in spendable form.

Restricted: This classification includes amounts that are restricted to specific purposes whereby constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County's special revenue and capital projects funds are legally restricted to expenditures for specific purposes.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The County did not have any committed resources as of December 31, 2011.

Assigned: This classification includes amounts that are constrained by the County's intent to use for a specific purpose but are neither restricted nor committed. This intent can be expressed by (a) the Board of Commissioners itself or (b) the Board delegating this responsibility to County management through the budgetary process. This classification also includes all remaining positive fund balance for all governmental funds other than the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund. It represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The County's policy would be to use restricted fund balances first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Otherwise, it is the county's policy to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

K. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

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

1. The County's annual budgets are prepared on anticipated revenues and appropriated expenditures. Revenue anticipation, generally conservative, is designed to help ensure fiscal responsibility and maintain a balanced budget. The operating budget includes proposed expenditures and the means of financing them are based on prior year results and estimated current needs.

2. Public hearings are conducted by the Board of Commissioners to obtain taxpayer comments.

3. On or before August 15th of the preceding year, all agencies of the government submit requests for appropriations to the Chairman of the Board of Commissioners. Before September 1, the proposed budget is presented to the Board of Commissioners for review. The final budget must be prepared and adopted no later than December 1.

4. The Chairman of the Board of Commissioners is authorized to transfer amounts between accounts within any department. All supplemental appropriations or transfers of appropriations between departments must be approved by the Board of Commissioners.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

Annual appropriated budgets, which are adopted on a basis consistent with generally accepted accounting principals, are adopted for the General Fund, and each Special Revenue Fund. Budget amounts are as originally adopted, or as amended by the Board of Commissioners. There were no material supplementary appropriations made during the year. All annual appropriations lapse at year-end.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2011, expenditures did not exceed appropriations at the department level (the legal level of control), except as follows:

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONCLUDED)

B. Excess of Expenditures over Appropriations (Concluded)

Fund/Department	Excess
General Fund:	
General Adminstration	$ 1,141
Drug Task Force	8,221
Probate Court	1,114
Public Defender	18,551
Sheriff	144,956
Emergency Medical Services	55,908
Roads and Bridges	958,566
Public Health	6,805
Senior Citizen Center	95,484
Arts	2,999
Regional Library	359
Emergency 911 Fund:	
Public Safety	154,177

The overages in expenditures resulted from unanticipated costs, and were funded by capital lease or available fund balance.

NOTE 3. CASH AND INVESTMENTS

Cash and cash equivalents include cash on hand, demand deposits, money market accounts, and certificates of deposit. Cash also includes funds currently invested in the Georgia Fund 1 Liquidity Pool. Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. It is regulated by the Georgia Office of Treasury and Fiscal Services. The reported value of the pool is the same as the fair value of the pool shares.

Credit risk. State statutes limit investments to obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. Government; obligations of the State of Georgia or other states; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements when collateralized by the U.S. Government or agency obligations; and obligations of other political subdivisions of the State of Georgia.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At December 31, 2011, all financial institution deposits were fully insured or collateralized.

NOTE 4. RECEIVABLES

Receivables at December 31, 2011, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

Primary Government:

	General Fund	SPLOST/ Roads	E-911	Nonmajor Funds
Recievables:				
Property taxes	$ 1,148,475	$ -	$ -	$ -
Accounts	536,287	-	49,811	129,205
Due from other Governments	410,685	405,570	-	11,248
Gross Receivables	2,095,447	405,570	49,811	140,453
Less allowance for uncollectibles	123,200	-	-	-
Total receivables - net	$ 1,972,247	$ 405,570	$ 49,811	$ 140,453

The County bills and collects its own property taxes and those taxes for the Fannin County School System and certain municipalities within the County. Collections of the County taxes and remittance of them to the General Fund, the school system, and municipalities are accounted for in the Tax Commissioner Agency Fund. County property taxes are recognized when levied to the extent that they result in current receivables.

Property taxes were levied on September 2, 2011, based on assessed values on January 1st and are due on December 20th of each year. Collections of property taxes are made throughout the year. Liens may be attached to property for unpaid taxes at any time within three years after the due date.

At December 31, 2011, ambulance billings of $362,353 were outstanding for emergency services, and are included in accounts receivable above. An allowance for uncollectible accounts of $123,200 has been provided for amounts and charges not allowed by Medicare, Medicaid or other insurance contracts. The allowance is estimated by the County based on historical experience. Accounts are written off when deemed uncollectible by the County or advised as such by third party payers. The Board of Commissioners reviews all accounts and decides whether they are to be written off or pursued for collection.

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NOTE 5. CAPITAL ASSETS

Activity in capital asset accounts of the primary government and its discretely presented component units for the year ended December 31, 2011, was as follows:

A. Primary Government

Governmental Activities:	Beginning Balance (Restated)	Increases	Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,979,289	$ 151,610	$ -	$ 2,130,899
Construction in progress (1)	1,161,059	872,168	(1,659,327)	373,900
Total	3,140,348	1,023,778	(1,659,327)	2,504,799
Capital assets, being depreciated:				
Infrastructure	21,278,099	427,429	1,626,932	23,332,460
Buildings and improvements	19,784,019	110,039	-	19,894,058
Machinery and equipment	11,858,773	472,430	32,395	12,363,598
Total	52,920,891	1,009,898	1,659,327	55,590,116
Less accumulated depreciation for:				
Infrastructure	10,860,922	834,166	-	11,695,088
Buildings and improvements	3,234,767	423,076	-	3,657,843
Machinery and equipment	8,673,250	623,155	-	9,296,405
Total	22,768,939	1,880,397	-	24,649,336
Total capital assets being depreciated, net	30,151,952	(870,499)	1,659,327	30,940,780
Governmental activities Capital assets, net	$ 33,292,300	$ 153,279	$ -	$ 33,445,579

(1) Beginning construction in progress has been restated to include capital expenditures of $286,587 inadvertently reported in a proprietary fund at December 31, 2010, as explained in Note 1(B). Such prior capital expenditures and additional expenditures of $77,863 during 2011 have been paid by the General Fund on behalf of the Water/Capital Projects Fund. These expenditures totaling $364,450 are primarily for professional fees in connection with water system design and engineering. The remaining construction in progress balance of $9,450 includes capital expenditures of $5,350 during 2010 and additional expenditures of $4,100 during 2011 for a future helicopter pad for the County.

Reclassifications of $1,659,327 above represent the accumulated costs incurred on road and bridge projects and software licensing that were completed and put into service during 2011. There were no disposals of capital assets during the year ended December 31, 2011.

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense during the year ended December 31, 2011, was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 197,406
Judicial	4,373
Public safety	515,591
Public works	1,013,655
Health and welfare	46,155
Culture and recreation	97,475
Housing and development	5,742
Total	$ 1,880,397

B. Discretely Presented Component Unit – Development Authority

	Beginning Balance	Increases	Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	$ 579,612	$ -	$ -	$ 579,612
Construction in progress	-	455,734	(147,362)	308,372
Total	579,612	455,734	(147,362)	887,984
Capital assets, being depreciated:				
Land improvements	5,000	-	-	5,000
Buildings and improvements	833,255	-	147,362	980,617
Machinery and equipment	110,546	-	-	110,546
Total	948,801	-	147,362	1,096,163
Less accumulated depreciation for:				
Land improvements	5,000	-	-	5,000
Buildings and improvements	97,178	26,935	-	124,113
Machinery and equipment	87,481	4,139	-	91,620
Total	189,659	31,074	-	220,733
Total capital assets being depreciated, net	759,142	(31,074)	147,362	875,430
Total capital assets, net	$ 1,338,754	$ 424,660	$ -	$ 1,763,414

Reclassifications of $147,362 above represent building renovations completed during 2011. There were no disposals of capital assets during the year ended December 31, 2011.

NOTE 5. CAPITAL ASSETS (CONCLUDED)

C. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Office Equipment	$ 8,791	$ -	$ -	$ 8,791
Leasehold improvements	6,580	-	-	6,580
Total	15,371	-	-	15,371
Less accumulated depreciation for:				
Office equipment	7,066	658	-	7,724
Leasehold improvements	3,328	1,725	-	5,053
Total	10,394	2,383	-	12,777
Total capital assets being depreciated, net	4,977	(2,383)	-	2,594
Total capital assets, net	$ 4,977	$ (2,383)	$ -	$ 2,594

NOTE 6. RESTRICTED ASSETS

Restrictions on cash and cash equivalents at December 31, 2011, in the following funds are as follows:

Governmental Activities	Restricted Balance
SPLOST/Roads - for roads and bridges	$ 2,298,757
Emergency 911 - for emergency services	307,086
Nonmajor funds - for purposes of grants received	83,900
Nonmajor funds - for sheriff and jail operations	126,555
Nonmajor funds - for juvenile services	47,536
Nonmajor funds - for technology	154,456
Nonmajor funds - for economic development	52,872
Nonmajor funds - for other purposes	19,923
Total restricted cash and cash equivalents	$ 3,091,085

NOTE 7. LONG-TERM DEBT

Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2011:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue Bonds	$ 4,195,000	$ -	$ 300,000	$ 3,895,000	$ 315,000
Certificates of Participation	5,375,000	-	385,000	4,990,000	400,000
Capital leases	600,836	158,735	166,014	593,557	150,392
Total	$ 10,170,836	$ 158,735	$ 851,014	$ 9,478,557	$ 865,392

Revenue Bonds - During the year ended December 31, 2001, the Fannin County Building Authority issued $6,420,000 in series revenue bonds for the construction of a new jail facility and for the purchase of land for a county park. The revenue bonds bear interest at varying rates from 2.7% to 5.0% and mature in 2021. Future debt service requirements are as follows:

Calendar Year	Principal	Interest	Total
2012	$ 315,000	$ 180,305	$ 495,305
2013	325,000	166,062	491,062
2014	340,000	150,930	490,930
2015	360,000	134,650	494,650
2016	375,000	117,190	492,190
2017-2021	2,180,000	282,180	2,462,180
Total	$ 3,895,000	$ 1,031,317	$ 4,926,317

Certificates of Participation – During the year ended December 31, 2001, the County also issued $8,155,000 Certificates of Participation Public Purpose Project 2001, through the Association of County Commissioners of Georgia's (the "ACCG") leasing program to help finance construction of the new Courthouse. The Certificates of Participation bear interest at rates varying from 2.7% to 5.0% and mature in 2021. Future debt service requirements are as follows:

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NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government (Continued)

Calendar Year	Principal	Interest	Total
2012	$ 400,000	$ 231,065	$ 631,065
2013	420,000	212,815	632,815
2014	440,000	193,245	633,245
2015	460,000	172,315	632,315
2016	480,000	149,985	629,985
2017-2021	2,790,000	330,702	3,120,702
Total	$ 4,990,000	$ 1,290,127	$ 6,280,127

Subsequent Event - Sale/Repurchase Agreement – During December 2011, the County entered into a sale and repurchase agreement with the ACCG for the purpose of paying off the Certificates of Participation and the Revenue Bonds identified above. Although the agreement was executed in 2011, the monies did not exchange until February 1, 2012, and April 1, 2012, the next semi-annual maturity dates of the Certificates of Participation and Revenue Bonds, respectively. Upon the exchange of funds, the County transferred the Court House and Jail facilities to the ACCG. Total borrowings under the sale and repurchase agreement were $9,325,250. From these proceeds, $5,155,833 was used to pay off the 2001 Certificates of Participation including interest, $4,024,418 was used to pay off the Building Authority Revenue Bonds including interest, and $144,999 was used to pay the costs of issuance of the new debt. Simultaneous with completion of these payments, the County entered into an installment sale agreement with the ACCG to repurchase the Court House and Jail facilities in the amount of $9,325,250. The ACCG has assigned this installment sale agreement to Bank of America. The issuance costs of $144,999 will be amortized over the life of the debt. This installment sale agreement bears interest at a rate of 2.39% and matures in 2021. Future debt service requirements under the agreement, which replace the future debt service disclosed above for the Certificates of Participation and Revenue Bonds, are as follows:

Calendar Year:	Principal	Interest	Total
2012	$ 270,070	$ 180,400	$ 450,470
2013	912,913	210,964	1,123,877
2014	935,162	189,013	1,124,175
2015	960,453	166,511	1,126,964
2016	978,727	143,447	1,122,174
2017-2021	5,267,925	345,705	5,613,630
Total	$ 9,325,250	$ 1,236,040	$ 10,561,290

Capital Leases – The County has entered into lease agreements for financing the acquisition of various public safety vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments. Lease interest rates vary from $2.4% to 6.1%. The total cost of vehicles financed under capital leases is $789,688 at December 31, 2011, and such cost is included under governmental activities in the accompanying financial statements. Future debt service requirements under capital leases are as follows:

NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government (Concluded)

Calendar Year:	Total
2012	$ 174,886
2013	151,638
2014	151,639
2015	97,241
2016	97,241
Total minimum lease payments	672,645
Less: amount representing interest	79,088
Present value of minimum lease payments	$ 593,557

Landfill Post Closure Costs – State and Federal regulations required the County to close its landfill once its capacity was reached December 31, 1996, and to monitor and maintain the site after closure. The County elected an early closure date of April 10, 1994 when capacity was at eighty percent. During 1994, engineering studies estimated post closure costs of approximately $66,121 to complete the closure of its solid waste landfill. These costs were based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of the expected date of closure. Amounts were expensed as closure of the landfill was completed. On February 1, 2000, the County received its closure certificate; therefore, no significant future expenditures are expected. At December 31, 2011, no liability remains in accounts payable for post closure care costs.

Component Unit – Development Authority

The following is a summary of long-term debt activity for the year ended December 31, 2011:

Component Unit - Development Authority	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
OneGeorgia Authority					
Note Payable -					
Part 1	$ -	$ 308,371	$ -	$ 308,371	$ -
Part 2	-	147,362	535	146,827	4,137
Total	$ -	$ 455,733	$ 535	$ 455,198	$ 4,137

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Note Payable Agreement - During the year ended December 31, 2011, the Fannin County Development Authority entered into a note payable agreement with OneGeorgia Authority for the purpose of renovating a building that the Authority purchased in 2010. The note payable was awarded in two parts. Part 1 of the award was in the amount of $352,638 of which only $308,371 was drawn. This portion of the note will not become due and will not be amortized until the earlier of five years from the last drawdown on the note or at the time the building becomes 70% leased. At that time Part 1 will be due and payable over a 20 year term at 0% interest. The amortization schedule below reflects the Part 2 of the loan which is being amortized over a term of 20 years at 3.0% interest. This portion of the loan was used for the renovation of space in the building which was leased during 2011. Future debt service requirements under Part 2 are as follows:

Calendar Year:	Principal	Interest	Total
2012	$ 4,137	$ 3,273	$ 7,410
2013	5,663	4,217	9,880
2014	5,834	4,046	9,880
2015	6,011	3,869	9,880
2016	6,194	3,686	9,880
2017-2021	33,904	15,496	49,400
2022-2026	39,369	10,031	49,400
2027-2031	45,715	3,685	49,400
Total	$ 146,827	$ 48,303	$ 195,130

NOTE 8. FUND BALANCE

For the year ended December 31, 2011, the County adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Accordingly, fund balances are classified as follows:

Nonspendable: Amounts that are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes as imposed by state or federal laws, or constraints imposed by grantors or creditors.

Unassigned: All amounts not included in other spendable classifications for the General Fund and negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The details of fund balances included in the accompanying Governmental Funds Balance Sheet at December 31, 2011, are as follows:

General Fund - The General Fund has Unassigned Fund Balance of $8,014,394 at December 31, 2011. Prepaid items in the amount of $122,575 are considered Nonspendable Fund Balance.

NOTE 8. FUND BALANCE (CONCLUDED)

Other Major Funds - The SPLOST/Roads Fund has Restricted Fund Balance of $2,291,465 to be used for road, street and bridge projects. The Water/Capital Projects Fund has an Unassigned Fund Deficit of ($363,950) resulting from the water project expenditures financed by borrowings from the General Fund. The Emergency 911 Fund has Restricted Fund Balance of $114,312 to be used for operating and personnel costs of providing emergency services and a Nonspendable Fund Balance of $5,000 for prepaid items.

Other Funds – The following nonmajor funds have Restricted Fund Balances designated for the following specific purposes:

Nonmajor Funds	Purpose	Restricted Fund Balance
Special Revenue Funds:		
Law Library	acquire and maintain law library materials	$ 15,405
Confiscated Assets	public safety purposes (except salaries of law enforcement personnel)	7,426
Multiple Grant	purposes specified by grantors of monies received from various Federal and State agencies	56,615
Crime Victims Assistance	benefit victims of crime and their families	2,805
Drug	drug abuse treatment and education	44,806
Juvenile	operations, staffing and juvenile related programs	47,691
Excise Tax Lodging	tourism promotion within the County	1,810
Clerks Technology	technology upgrades in Clerk's Office	154,456
Revolving Loan	economic development within the County	72,494
Donations/Special Projects	construction of capital projects	20,668
Capital Projects Funds:		
SPLOST/Capital Improvements	construction of capital projects	340,539
		$ 764,715

At December 31, 2011, the Jail Fund (a special revenue fund) had a deficit fund balance in the amount of ($26,718), which is considered Unassigned Fund Balance.

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NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2011, is as follows:

Receivable Fund	Payable Fund	Amounts
General Fund	Water/Capital Projects	$ 364,450
General Fund	SPLOST/Roads	76,525
General Fund	Emergency 911	237,912
General Fund	Nonmajor funds	79,140
SPLOST / Roads	General Fund	93,040
Nonmajor funds	SPLOST/Roads	337,955
		$ 1,189,022

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund receivables and payables are considered current and repayment is expected within the next fiscal year.

The composition of interfund transfers as of December 31, 2011, is as follows:

Transfers In	Transfers Out	Amount
Nonmajor funds	General Fund	$ 1,362,961
General Fund	Nonmajor funds	1,702
Nonmajor funds	SPLOST/Roads	188,299
		$ 1,552,962

Transfers are used to (1) move revenues from the fund that statute or budget requires for collection to the fund that the statute or budget requires for expending such revenues, or (2) move unrestricted revenues collected in the General Fund to other funds in order to finance various programs in accordance with budgetary authorizations.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description – Primary Government

The County sponsors the Association of County Commissioners of Georgia ("ACCG") Restated Pension Plan for Fannin County Employees (the Plan), which is a defined benefit pension plan. The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Through the adoption agreement executed by the County Board of Commissioners, the Plan is affiliated with the Association of County Commissioners of Georgia Third Restated Defined Benefit Plan (the "ACCG Plan"), an agent multiple-employer pension plan, administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan, as provided in Section 19.02 of the ACCG Plan document. ACCG issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to GEBCorp, 1100 Circle 75 Parkway, Suite 3000, Atlanta, Georgia, 30339.

Membership	
As of January 1, 2011, Plan membership consisted of the following:	
Retired participants, disabled and beneficiaries currently receiving benefits	40
Terminated participants and beneficiaries entitled to benefits, but not yet receiving benefits:	65
Active participants	148
Total	253

Funding Policy – The County is required to contribute an actuarially determined amount annually to the Plan's trust. The recommended contribution of $722,067 for 2011 was 14.8% of annual covered payroll. The contribution amount is determined using actuarial methods and assumptions approved by ACCG Plan trustees, and meets or exceeds the minimum contribution requirement contained in State of Georgia statutes. No contributions are required or permitted by participants. All costs of the Plan are paid by the County.

Annual Pension Cost – The County's annual pension cost and net pension asset (obligation) for the year ended December 31, 2011, were determined as follows:

Derivation of Annual Pension Cost / Net Pension Asset	2011
Annual required contibution	$ 722,067
Interest on net pension asset	(15,059)
Amortization of net pension asset	16,113
Annual pension cost for the year	723,121
Actual contributions to the Plan for the year	722,067
Decrease in net pension asset	1,054
Net pension asset as of January 1, 2011	194,316
Net pension asset as of December 31, 2011	$ 193,262

There were no substantive changes in Plan provisions, actuarial methods or assumptions since the prior valuation. The following table summarizes the actuarial methods and assumptions used in the actuarial valuation of January 1, 2011.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Basis of Valuation	
Current valuation date	January 1, 2011
Actuarial assumptions:	
Annual return on invested plan assets	7.75%
Projected annual salary increases (based on age)	5.0% to 7.5%
Expected annual inflation	3.00%
Asset valuation method	Smoothed Market Value
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Payroll (Closed)
Remaining amortization period (estimated for all unfunded liabilities combined into one)	10

Trend Information for the Plan

Fiscal Year Beginning	Annual Pension Cost(APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Asset
1/1/2011	$ 723,121	$ 722,067	99.9 %	$ 194,316
1/1/2010	646,493	645,434	99.8	195,375
1/1/2009	611,175	620,321	101.5	186,229

Funding Status of the Plan

Measurement Date	Actuarial Value of the Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (Prior Year) (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/2011	$ 5,972,484	$ 7,899,068	$ 1,926,584	75.6 %	$ 4,872,050	39.5 %

The assets and liabilities shown above reflect expected amounts as of the last day of the plan year. These amounts may vary from those used in determining the required contribution, since those calculations use actual amounts as of the first day of the next plan year.

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 11. DEFERRED COMPENSATION PLANS

The County maintains three (3) deferred compensation plans, which were created in accordance with Internal Revenue Code Section 457. The plans are administered by independent plan administrators through an administrative agreement. The three administrators are Nationwide Retirement Solutions, GEBCorp and Valic. The County does not contribute funds to any of the plans. Member employees may elect to defer a portion of their salary until future years. Such deferred compensation is not available to the employees until termination, retirement, death, or financial hardship. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributable to those amounts, are solely the property and rights of the participants in the plans. During the year ended December 31, 2011, employees contributed approximately $29,000 to the plans.

NOTE 12. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases commercial insurance to cover property and liability and professional liability claims. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded insurance coverage in the past three years.

The County participates in the Association of County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. As part of this risk pool, the County is obligated to pay all contributions and assessments as prescribed by the fund, to cooperate with the fund's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the fund's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

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

The County has insurance coverage with ACCG. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the County's management based on the anticipated needs. The County is required to pay all premiums, applicable deductibles, and assessments billed by ACCG, as well as follow loss reduction and prevention procedures established by ACCG.

ACCG's responsibility includes paying claims, and representing the County in defense and settlement of claims. ACCG's basis for establishing the liabilities for unpaid claims is established by an actuary. The County is unaware of any claims for which the County is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2011.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation:

The County and the County Sheriff's Office are currently involved in various pending or threatened legal actions. The County, the Sheriff's Office and the County's insurance carrier are vigorously defending each of these actions. In the opinion of management and legal counsel, liability to the County, if any, which might result from these proceedings, is not considered a likely occurrence and would not have a material adverse affect on the financial position of the County.

Grant Contingencies:

In September 2011, the County was awarded a Community Development Block Grant for development and construction of the County's future water system in the amount of $500,000 through the Department of Community Affairs. This grant requires County matching expenditures of $166,135. The County anticipates receiving these grant proceeds during 2012 and 2013.

The County has received other federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such disallowances, if any, will not be significant.

Construction and Other Significant Commitments:

As discussed in Note 1, the newly formed Water Authority was approved by the State of Georgia as a political subdivision of the State in April, 2010. The general purposes of the Water Authority are to acquire, construct, equip, maintain and operate water supply, treatment, and distribution facilities and sewerage collection, treatment, and distribution facilities, making such facilities and services available to consumers located in Fannin County. System design and engineering is currently in progress and is being reported by the Water/Capital Projects Fund (management's intentions are to eventually turn the water system project over to the Water Authority). Phase One of this project is anticipated by management to cost approximately $8 million. Costs incurred to date by the Water/Capital Projects Fund of $364,450 have been financed with cash reserves in the County's General Fund. Additional expenditures by the General Fund to date of $363,734 have been for the purchase of two parcels of land for use as quarry and well sites. The land is deeded to Fannin County.

Management anticipates obtaining project financing through grants or other sources which may include revenue bonds, certificates, or other obligations. Such financing will allow the Water/Capital Projects Fund to repay the General Fund for expenditures paid on its behalf. See Note 5A.

NOTE 14. HOTEL/MOTEL LODGING TAX

During the year ended December 31, 2011, the county spent $515,232 to promote tourism, conventions and trade shows. This is 100% of the tax receipts to be expended for these purposes under the Official Code of Georgia Annotated 48-13-51. The County complies with the requirement under this law.

NOTE 15. RELATED PARTIES

The County entered into a license agreement on June 25, 1986 with the Tennessee Valley Authority (TVA) whereby the County has use of four TVA houses and land adjoining the Lake Blue Ridge dam site. The County is responsible for the maintenance, upkeep, and security of these properties. This responsibility has been delegated to the Fannin County Recreation Department. The director of the Fannin County Recreation Department, as a condition of his employment and with TVA's knowledge, lives in one of the houses to provide these services.

NOTE 16. JOINT VENTURES

Under Georgia law, the County, in conjunction with other counties and cities in the area, is a member of the Northwest Georgia Regional Commission and is required to pay annual dues thereto. During the year ended December 31, 2011, the County paid such dues in the amount of $21,033. Membership in a Regional Commission is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the Regional Commissions in Georgia.

The Regional Commission Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the Regional Commission. Separate financial statements may be obtained from Northwest Georgia Regional Commission, One Jackson Hill Drive, Rome, Georgia 30162..

NOTE 17. PRIOR PERIOD ADJUSTMENTS

At December 31, 2010, the County overstated the amounts due from the state for LOST and SPLOST in the amounts of $190,374 and $240,980, respectively. The County also overstated the amounts to be distributed to the cities of Blue Ridge and McCaysville for SPLOST funds in the amount $28,666 at December 31, 2010. These overstatements misstated revenues and expenditures in the General Fund and in the SPLOST/Roads Fund for the year ended December 31, 2010. Additionally, an adjustment has been made to reclassify $286,587 in capital assets that were reported in a proprietary fund at December 31, 2010 that should have been reported in a capital projects fund. Accordingly, the following adjustments were recorded to correct these overstatements of revenues and expenditures and to reclassify government wide net assets from business-type activities to governmental activities:

	General Fund Fund Balance	Splost/Roads Fund Balance	Water/Capital Projects Fund Balance	Government Wide Net Assets (Primary Government)
December 31, 2010, as previously reported	$ 9,458,191	$ 3,101,966	$ -	$ 36,776,659
Adjustment to record LOST and SPLOST revenues overstated in 2010	(190,374)	(240,980)	-	(431,354)
Adjustment to record distribution to Cities overstated in 2010	-	28,666	-	28,666
Adjustment to reclassify Water/Capital Projects Fund assets to a governmental fund in 2011 from a proprietary fund in 2010	-	-	(286,587)	-
December 31, 2010, as restated	$ 9,267,817	$ 2,889,652	$ (286,587)	$ 36,373,971

REQUIRED SUPPLEMENTARY INFORMATION

FANNIN COUNTY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
FANNIN COUNTY RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets		Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2011	$ 5,972,484	*	$ 7,899,068	$ 1,926,584	75.6 %	$ 4,872,050	39.5 %
12/31/2010	5,314,449	*	6,967,196	1,652,747	76.3	4,463,762	37.0
12/31/2009	4,670,221	*	4,604,285	1,734,064	72.9	4,300,864	40.3
12/31/2008	4,042,826		5,960,678	1,917,852	67.8	4,187,631	45.8
12/31/2007	3,681,844		5,268,811	1,586,967	69.9	3,725,899	42.6
12/31/2006	3,077,092		4,694,743	1,617,651	65.5	3,399,560	47.6

Effect of plan changes on the actuarial accrued liability

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is as follows:

> The effect of any changes in plan provisions will be provided upon request. The actuarial assumptions in 2011 are the same as those used in the preceding valuation.

* Reflects change to asset smoothing adopted in 2009 by the ACCG Pension Plan and Trust Board of Trustees.

Effect of plan changes on recommended contributions

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is as follows:

> The effect of any changes in plan provisions will be provided upon request. The actuarial assumptions and cost methods in 2011 are the same as those used to determine the contribution requirement for the preceding year.

The assets and liabilities shown above reflect expected amounts of the last day of the plan year. These amounts may very from those used in determining the required contribution, since those calculations are actual amounts as of the first day of the next plan year.

OTHER SUPPLEMENTARY INFORMATION

FANNIN COUNTY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Law Library	To account for revenues generated through special filing charges in the County court system which are used to acquire and maintain library materials.
Confiscated Assets	To account for confiscated cash seizures by Fannin County law enforcement from drug related crimes. Funds may be used for any public safety purpose except salaries of law enforcement personnel.
Multiple Grant	To account for grant monies received from various Federal and State agencies and the expenditure of these monies for the purposes intended.
Crime Victims Assistance	To account for the 4% fee added to Court fines to benefit the victims of crime and their families.
Drug	To account for the collection of penalty assessments in certain court cases. Proceeds may be expended only for drug abuse treatment and education programs.
Jail	To account for collection of penalty assessments in certain court cases. Proceeds are restricted for construction, operation, and staffing of the County's correction and detention center.
Juvenile	To account for collection of penalty assessments in juvenile related cases. Proceeds may be expended for operations, staffing, and juvenile related programs.
Excise Tax Lodging	To account for collection of special sales tax to be used for tourism promotion within the County.
Clerks Technology	To account for monies received from the Georgia Superior Court Clerks Cooperative Association for technology upgrades in the Clerk of Courts' Office.
Revolving Loan	To account for activities connected with a note receivable for a loan made with monies received from the USDA. As funds are accumulated, loans will be made for the economic development of the County.
Donations/Special Projects	To construct capital projects for use by the County and to account for donations or other revenues received for these purposes.

Capital Projects Funds

SPLOST/Capital Improvements	To account for financial resources provided from the Certificates of Participation and Special Purpose Local Option Sales Tax where such resources are to be used for prescribed projects.
Building Authority	To account for financial resources used to acquire, construct and maintain capital projects for use by the County.

FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
ASSETS							
Cash and cash equivalents	$ 15,405	$ 7,426	$ 83,900	$ 18,888	$ 48,067	$ 52,174	$ 47,536
Accounts receivable	-	-	-	1,337	-	-	255
Due from other governments	-	-	11,000	-	-	248	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	$ 15,405	$ 7,426	$ 94,900	$ 20,225	$ 48,067	$ 52,422	$ 47,791
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ -	$ -	$ 11,132	$ 17,420	$ 3,261	$ -	$ 100
Due to other funds	-	-	-	-	-	79,140	-
Due to component unit	-	-	27,153	-	-	-	-
Total liabilities	-	-	38,285	17,420	3,261	79,140	100
Fund Balances:							
Restricted	15,405	7,426	56,615	2,805	44,806	-	47,691
Unassigned	-	-	-	-	-	(26,718)	-
Total fund balances	15,405	7,426	56,615	2,805	44,806	(26,718)	47,691
Total liabilities and fund balances	$ 15,405	$ 7,426	$ 94,900	$ 20,225	$ 48,067	$ 52,422	$ 47,791

Continued

FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue				Capital Projects		
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	SPLOST/ Capital Improvements	Building Authority	Total
ASSETS							
Cash and cash equivalents	$ 1,933	$ 154,456	$ 52,872	$ 20,668	$ 2,584	$ -	$ 505,909
Accounts receivable	107,991	-	19,622	-	-	-	129,205
Due from other governments	-	-	-	-	-	-	11,248
Due from other funds	-	-	-	-	337,955	-	337,955
Prepaid items	-	-	-	-	-	-	-
Total assets	$ 109,924	$ 154,456	$ 72,494	$ 20,668	$ 340,539	$ -	$ 984,317
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 108,114	$ -	$ -	$ -	$ -	$ -	$ 140,027
Due to other funds	-	-	-	-	-	-	79,140
Due to component unit	-	-	-	-	-	-	27,153
Total liabilities	108,114	-	-	-	-	-	246,320
				-			
Fund Balances:				-			
Restricted	1,810	154,456	72,494	20,668	340,539	-	764,715
Unassigned	-	-		-	-	-	(26,718)
Total fund balances	1,810	154,456	72,494	20,668	340,539	-	737,997
Total liabilities and fund balances	$ 109,924	$ 154,456	$ 72,494	$ 20,668	$ 340,539	$ -	$ 984,317

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
REVENUES							
Other taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	66,226	-	-	-	-
Fines and forfeitures	17,811	21,051	-	16,883	18,340	26,247	2,420
Charges for services	-	-	-	-	-	-	-
Investment income	188	13	367	37	123	162	165
Total revenues	17,999	21,064	66,593	16,920	18,463	26,409	2,585
EXPENDITURES							
Current:							
Judicial	27,836	-	-	-	-	-	4,316
Public safety	-	16,621	10,000	15,719	14,772	23,576	-
Health and welfare	-	-	43,126	-	-	-	-
Housing and development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay:							
Judicial	-	-	-	-	-	-	-
Public safety	-	-	27,534	-	-	78,120	-
Culture and recreation	-	-	9,600	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	27,836	16,621	90,260	15,719	14,772	101,696	4,316
Excess (deficiency) of revenues over (under) expenditures	(9,837)	4,443	(23,667)	1,201	3,691	(75,287)	(1,731)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	236,133	-	-	-	-
Transfers out	-	-	-	(1,702)	-	-	-
Total other financing sources (uses)	-	-	236,133	(1,702)	-	-	-
Net change in fund balances	(9,837)	4,443	212,466	(501)	3,691	(75,287)	(1,731)
FUND BALANCES, beginning of year	25,242	2,983	(155,851)	3,306	41,115	48,569	49,422
FUND BALANCES, end of year	$ 15,405	$ 7,426	$ 56,615	$ 2,805	$ 44,806	$ (26,718)	$ 47,691

Continued

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue				Capital Projects		
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	SPLOST/ Capital Improvements	Building Authority	Total
REVENUES							
Other taxes	$ 515,078	$ -	$ -	$ -	$ -	$ -	$ 515,078
Intergovernmental	-	22,057	-	-	-	-	88,283
Fines and forfeitures	-	-	-	-	-	-	102,752
Charges for services	-	-	-	-	-	-	-
Investment income	26	126	1,347	74	3	-	2,631
Total revenues	515,104	22,183	1,347	74	3	-	708,744
EXPENDITURES							
Current:							
Judicial	-	4	-	-	-	-	32,156
Public safety	-	-	-	-	-	-	80,688
Health and welfare	-	-	-	-	-	-	43,126
Housing and development	515,232	-	46,313	-	-	-	561,545
Culture and recreation	-	-	-	144	-	-	144
Capital outlay:							
Judicial	-	1,190	-	-	-	-	1,190
Public safety	-	-	-	-	-	-	105,654
Culture and recreation	-	-	-	-	-	-	9,600
Debt service:							
Principal	-	-	-	-	385,000	300,000	685,000
Interest	-	-	-	-	248,143	193,685	441,828
Total expenditures	515,232	1,194	46,313	144	633,143	493,685	1,960,931
Excess (deficiency) of revenues over (under) expenditures	(128)	20,989	(44,966)	(70)	(633,140)	(493,685)	(1,252,187)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	821,442	493,685	1,551,260
Transfers out	-	-	-	-	-	-	(1,702)
Total other financing sources (uses)	-	-	-	-	821,442	493,685	1,549,558
Net change in fund balances	(128)	20,989	(44,966)	(70)	188,302	-	297,371
FUND BALANCES, beginning of year	1,938	133,467	117,460	20,738	152,237	-	440,626
FUND BALANCES, end of year	$ 1,810	$ 154,456	$ 72,494	$ 20,668	$ 340,539	$ -	$ 737,997

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2011

	Clerk of Superior Court	Judge of Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total Agency Funds
ASSETS						
Cash	$ 69,127	$ 6,261	$ 4,942	$ -	$ 3,007,624	$ 3,087,954
Restricted cash	108,246	11,450	2,150	18,890	52,805	193,541
Taxes receivable	-	-	-	-	3,911,945	3,911,945
Total Assets	$ 177,373	$ 17,711	$ 7,092	$ 18,890	$ 6,972,374	$ 7,193,440
LIABILITIES						
Due to others	$ 177,373	$ 17,711	$ 7,092	$ 18,890	$ 6,972,374	$ 7,193,440
Total Liabilities	$ 177,373	$ 17,711	$ 7,092	$ 18,890	$ 6,972,374	$ 7,193,440

FANNIN COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER, 31 2011

	Original Estimated Cost	Current Estimated Cost	EXPENDITURES			Estimated % of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax						
2005 Projects:	$ 25,000,000	$ 25,000,000	$ 24,026,089	$ 4,169,446	$ 28,195,535	
Roads and Bridges Improvements	$ 25,000,000	$ 25,000,000	$ 21,711,185	$ 3,855,373	$ 25,566,558	102%
Contractual Payments:						
City of Blue Ridge	$ -	$ -	1,219,758	166,274	1,386,032	
City of McCaysville	$ -	$ -	1,095,146	147,799	1,242,945	
Total 2005 Projects			$ 24,026,089	$ 4,169,446	$ 28,195,535	
2011 Projects:	$ 25,000,000	$ 25,000,000	$ -	$ 112,028	$ 112,028	
Roads and Bridges Improvements	$ 17,025,000	$ 17,025,000	$ -	$ -	$ -	0%
Capital Improvements:						
Water	$ 2,500,000	$ 2,500,000	-	-	-	0%
Capital Outlay	$ 2,500,000	$ 2,500,000	-	-	-	0%
Contractual Payments:						
City of Blue Ridge	$ 1,575,000	$ 1,575,000	-	59,309	59,309	
City of McCaysville	$ 1,400,000	$ 1,400,000	-	52,719	52,719	
Total 2011 Projects			$ -	$ 112,028	$ 112,028	

The above schedule has been prepared on the modified accrual basis of accounting.

Additional expenditures during the year of $633,143 by the SPLOST/ Capital Improvements Fund for debt service in connection with the 2000 Projects were financed with transfers from the General Fund.

FANNIN COUNTY, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER, 31 2011

State Program Name	Contract Number	Current Year Received	Current Year Expended	Amount Due from (to) State
Family Connections	93-11110091-99	$ 21,126	$ 21,126	$ -
Family Connections	93-121200118-99	22,000	22,000	11,000

The above schedule has been prepared on the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

To the Board of Commissioners
of Fannin County, Georgia
Blue Ridge, Georgia

We have audited 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 Fannin County, Georgia, as of and for the year ended December 31, 2011, which collectively comprise Fannin County, Georgia's basic financial statements and have issued our report thereon dated April 27, 2012. We did not audit the financial statements of the Fannin County Department of Public Health. Those financial statements were audited by other auditors whose reports have been furnished to us. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fannin County, Georgia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fannin County Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fannin County, Georgia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described below in Item 05-01, that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiency to be significant deficiency in internal control:

Repeat finding from prior year:

05-01 Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the proper segregation of certain duties.

Condition/Context: During our audit, we noted two areas where segregation of duties could be improved, one within the offices of Emergency Management Services and the other in the offices of the Development Authority. Segregation of duties issues identified primarily involve conflicts between handling (or having access to) cash within the cash receipt or disbursement process, recording cash transactions in the accounting records, and reconciling cash accounts to bank statements. When the same employee performs two or more of these duties, weaknesses exists. We noted instances where the employee who receives cash is also the employee who records cash in the accounting system. We additionally noted instances where the employee who prepares disbursement checks is also the employee who mails the checks after signature, and where the authorized check signer is not independent of check preparation and bank reconciliation duties.

Effect: A lack of segregation of duties within these responsibilities can increase the exposure of cash to misappropriation or to errors in recording cash transactions.

Cause: Due to the limited number of employees working in the various offices identified above, segregation of duties is difficult to achieve.

Recommendation: We recommend that management and elected officials continually evaluate employees' responsibilities and the design of an effective accounting system looking for opportunities to improve segregation of duties. Changes that improve segregation of duties will reduce the potential for errors or misappropriation of County assets.

Response: Due to the limited number of employees in the offices and departments in question, it is difficult to accomplish complete segregation of duties. Nevertheless, management and elected officials will continue to review daily procedures and responsibilities in an effort to identify ways to increase segregation of duties and improve oversight where necessary in order to reduce risk.

Compliance and Other Matters

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

Repeat finding from prior year:

10-01 Commingling SPLOST Monies

Criteria: The County is responsible for segregating SPLOST funds in a separate account from other funds of the County and not in any manner commingling SPLOST funds with other County funds as required by the Official Code of Georgia section 48-8-121.

Condition/Context: During 2009, the SPLOST /Roads Fund was reimbursed by other governments for projects completed on their behalf. When the reimbursements were received, the monies were inadvertently deposited to the General Fund instead of the SPLOST/Roads Fund.

Effect: The deposit of these reimbursements to the General Fund appears to be in violation of State law.

Cause: When the reimbursement checks were received, they were not initially identified as belonging to SPLOST/Roads. As a result, they were inadvertently deposited to the General Fund.

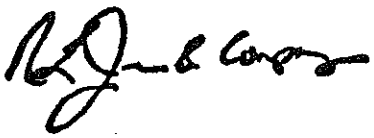
Recommendation: In order to regain compliance with State law, we recommend that these funds be immediately transferred to the SPLOST/Roads Fund.

Response: The County agrees with this finding and has already transferred these monies from the General Fund to the SPLOST/Roads Fund following year end.

Fannin County, Georgia's response to the findings identified in our audit is described above. We did not audit Fannin County, Georgia's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Fannin County, Georgia in a separate letter dated April 27, 2012.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ellijay, Georgia
April 27, 2012