FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report 1
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 4
Statement of Activities 5
Fund Financial Statements:
Balance Sheet – Governmental Funds 6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets 7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities 9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 10
Statement of Fiduciary Assets and Liabilities – Agency Funds 13
Notes to Financial Statements 14

Required Supplementary Information:
Schedule of Funding Progress for the Fannin County Retirement Plan 37

Other Supplementary Information:
Combining and Individual Fund Statements and Schedules:
Combining Balance Sheet – Nonmajor Governmental Funds 39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 41
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds 43
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 44
Schedule of State Contractual Assistance 45

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 46

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Fannin County Department of Public Health, which represents 8% and 73%, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of 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, 2012, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fannin County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 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 basic financial statements. The accompanying Schedule of State Contractual Assistance 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2013, 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* in considering Fannin County, Georgia's internal control over financial reporting and compliance.

RL Jennings & Associates, PC

Ellijay, Georgia
April 26, 2013

BASIC FINANCIAL STATEMENTS

FANNIN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2012

	Primary Government	Component Units		
	Governmental Activities	Department of Public Health	Parks and Recreation Commission	Development Authority
ASSETS				
Cash and cash equivalents	$ 7,205,933	$ 150,448	$ 20,344	$ 30,467
Restricted cash and cash equivalents	3,422,372	-	-	-
Property taxes receivable	1,104,365	-	-	-
Accounts receivable, net	404,023	25,018	-	313,489
Due from other governments	770,859	-	-	-
Due from primary government	-	-	-	33,902
Due from component unit	3,147	-		
Inventories		3,845		
Prepaid items	288,741	-	-	-
Capital assets, not being depreciated	2,859,034	-	-	710,987
Capital assets, net of accumulated depreciation	29,675,412	1,936	-	1,047,446
Net pension asset	192,214	-	-	-
Debt issuance costs, net	132,917			
Total assets	$ 46,059,017	$ 181,247	$ 20,344	$ 2,136,291
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 267,637	$ -	$ -	$ 313,489
Accrued liabilities	197,966	50,456	-	3,000
Due to other governments	219,457	4,590	-	-
Due to primary government			3,147	
Due to component unit	33,902	-	-	-
Deferred revenues	413,921			
Accrued interest	72,254	-	-	-
Long-term liabilities:				
Due within one year	1,028,344	-	-	16,726
Due in more than one year	8,400,389	-	-	478,595
Total liabilities	10,633,870	55,046	3,147	811,810
Net Assets:				
Invested in capital assets, net of related debt	23,105,713	1,936	-	1,758,433
Restricted for:				
Capital projects	2,635,027	-	-	-
Other purposes	606,650	-	-	-
Unrestricted	9,077,757	124,265	17,197	(433,952)
Total net assets	35,425,147	126,201	17,197	1,324,481
Total liabilities and net assets	$ 46,059,017	$ 181,247	$ 20,344	$ 2,136,291

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

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	Component Units: Department of Public Health	Component Units: Parks and Recreation Commission	Component Units: Development Authority
Primary government:								
Governmental activities:								
General government	$ 3,169,196	$ 38,620	$ -	$ -	$ (3,130,576)			
Judicial	1,832,142	475,927	47,321	-	(1,308,894)			
Public safety	6,376,041	1,334,176	127,684	-	(4,914,181)			
Public works	5,641,881	305	-	494,939	(5,146,637)			
Health and welfare	391,369	54,918	140,980	-	(195,471)			
Culture and recreation	791,761	1,956	-	-	(789,805)			
Housing and development	1,144,716	145,097	-	-	(999,619)			
Interest on long-term liabilities	329,410	-	-	-	(329,410)			
Total governmental activities	$ 19,676,516	$ 2,050,999	$ 315,985	$ 494,939	(16,814,593)			
Component units:								
Department of Public Health	$ 515,576	$ 202,484	$ 210,961	$ -		$ (102,131)	$ -	$ -
Recreation and Parks Commission	139,173	137,317	-	-		-	(1,856)	-
Development Authority	71,355	48,244	-	-		-	-	(23,111)
Total component units	$ 726,104	$ 388,045	$ 210,961	$ -		(102,131)	(1,856)	(23,111)
General Revenues:								
Property taxes					8,023,332	-	-	-
Franchise taxes					92,000	-	-	-
Sales taxes					6,725,116	-	-	-
Other taxes					1,933,994	-	-	-
Miscellaneous revenues					46,556	82,706	-	-
Unrestricted investment earnings					10,357	-	-	38
Total general revenues					16,831,355	82,706	-	38
Change in net assets					16,762	(19,425)	(1,856)	(23,073)
Net assets, beginning of year, restated					35,408,385	145,626	19,053	1,347,554
Net assets, end of year					$ 35,425,147	$ 126,201	$ 17,197	$ 1,324,481

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	SPLOST/ Roads	SPLOST/ Capital Improvements	Water/ Capital Projects	Building Authority	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 7,203,415	$ 1,883,812	$ 901,275	$ 500	$ -	$ 639,303	$ 10,628,305
Property taxes receivable	1,104,365	-		-	-	-	1,104,365
Accounts receivable, net	241,408	-		-	-	151,365	392,773
Due from other governments	441,543	331,370		-	-	12,343	785,256
Due from other funds	673,199	333		-	-	-	673,532
Prepaid items	283,741	-		-	-	5,000	288,741
Total assets	$ 9,947,671	$ 2,215,515	$ 901,275	$ 500	$ -	$ 808,011	$ 13,872,972
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 115,626	$ 28,076	$	$ -	$ -	$ 123,936	$ 267,638
Accrued liabilities	197,965	-		-	-	-	197,965
Due to other governments	180,024	39,433		-	-	-	219,457
Due to other funds	-	-	333	615,579	-	57,620	673,532
Due to component unit	6,749	-		-	-	27,153	33,902
Deferred revenue	645,634	413,921		-	-	-	1,059,555
Total liabilities	1,145,998	481,430	333	615,579	-	208,709	2,452,049
Fund Balances:							
Nonspendable	283,741	-	-	-	-	5,000	288,741
Restricted	-	1,734,085	900,942	-	-	606,650	3,241,677
Unassigned	8,517,932	-		(615,079)	-	(12,348)	7,890,505
Total fund balances	8,801,673	1,734,085	900,942	(615,079)	-	599,302	11,420,923
Total liabilities and fund balances	$ 9,947,671	$ 2,215,515	$ 901,275	$ 500	$ -	$ 808,011	$ 13,872,972

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, 2012

Total fund balances - governmental funds	$ 11,420,923
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.	32,534,446
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	645,634
Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds.	(9,500,987)
Cost of issuing debt, net of amortization, is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	132,917
The net pension asset is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	192,214
Total net assets - governmental activities	$ 35,425,147

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, 2012

	General Fund	SPLOST/ Roads	SPLOST/ Capital Improvements	Water/ Capital Projects	Building Authority	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	$ 6,793,643	$ -	$ -	$ -	$ -	$ -	$ 6,793,643
Franchise taxes	92,000	-	-	-	-	-	92,000
Sales taxes	2,968,069	3,757,047	-	-	-	-	6,725,116
Other taxes	1,149,972	-	-	-	-	784,022	1,933,994
Licenses and permits	127,886	-	-	-	-	-	127,886
Intergovernmental	1,435,557	489,798	-	-	-	96,621	2,021,976
Charges for services	732,094	-	-	-	-	358,824	1,090,918
Fines and forfeitures	554,610	-	-	-	-	78,123	632,733
Investment income	8,472	4,108	987	-	-	1,917	15,484
Contributions and donations	2,600	-	-	-	-	1,539	4,139
Other	204,311	-	-	-	-	-	204,311
Total revenues	14,069,214	4,250,953	987	-	-	1,321,046	19,642,200
EXPENDITURES							
Current:							
General government	2,439,311	-	-	-	-	-	2,439,311
Judicial	1,806,095	-	-	-	-	17,328	1,823,423
Public safety	5,487,557	-	-	-	-	345,222	5,832,779
Public works	1,668,560	-	-	-	-	-	1,668,560
Health and welfare	297,462	-	-	-	-	44,500	341,962
Culture and recreation	682,777	-	-	-	-	-	682,777
Housing and development	365,475	-	-	-	-	790,927	1,156,402
Intergovernmental	-	446,861	-	-	-	-	446,861
Capital outlay:							
General government	34,925	-	-	-	-	-	34,925
Judicial	-	-	-	-	-	5,769	5,769
Public safety	16,247	-	-	-	-	4,150	20,397
Public works	-	3,610,446	-	291,129	-	-	3,901,575
Health and welfare	1,490	-	-	-	-	-	1,490
Culture and recreation	23,525	-	-	-	-	31,311	54,836
Housing and development	-	-	-	-	-	-	-
Debt service:							
Principal	420,462	-	-	-	-	-	420,462
Interest	202,856	-	-	-	-	-	202,856
Isssuance costs	145,000	-	-	-	-	-	145,000
Total expenditures	13,591,742	4,057,307	-	291,129	-	1,239,207	19,179,385
Excess (deficiency) of revenues over (under) expenditures	477,472	193,646	987	(291,129)	-	81,839	462,815
OTHER FINANCING SOURCES (USES)							
Issuance of debt	9,325,250						9,325,250
Redemption of debt			(5,109,932)		(3,988,618)		(9,098,550)
Premium on debt redemption		-	(45,900)	-	(35,800)	-	(81,700)
Transfers in	171,610	-	5,906,858	40,000	4,024,418	-	10,142,886
Transfers out	(9,180,250)	(751,026)	(191,610)	-	-	(20,000)	(10,142,886)
Total other financing sources (uses)	316,610	(751,026)	559,416	40,000	-	(20,000)	145,000
Net change in fund balances	794,082	(557,380)	560,403	(251,129)	-	61,839	607,815
FUND BALANCES, beginning of year, restated	8,007,591	2,291,465	340,539	(363,950)	-	537,463	10,813,108
FUND BALANCES, end of year	$ 8,801,673	$ 1,734,085	$ 900,942	$ (615,079)	$ -	$ 599,302	$ 11,420,923

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, 2012

Net change in fund balances - governmental funds	$ 607,815
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 depreciation exceeded capital outlays in the current period.	(910,861)
Proceeds of $5,225 from the disposal of capital assets provide current financial resources to governmental funds; however, such proceeds are offset by the book value of the disposed assets and a gain or loss is recognized in the Statement of Activities. This is the book value of the disposed assets.	(272)
The issuance of new long-term debt in connection with the sale/repurchase agreement provides current financial resources to governmental funds; however, the issuance is treated as a liability in the Statement of Net Assets.	(9,325,250)
Proceeds from new debt used to refund outstanding Revenue Bonds and Certificates of Participation consume current financial resources of governmental funds; however, such refunding is treated as the reduction of a liability in the Statement of Net Assets.	8,885,000
Issuance costs of $145,000 paid in connection with new debt use current financial resoures of governmental funds; however, such costs are capitalized in the Statement of Net Assets and amortized to expense over the life of the new debt. This is the amount by which the costs paid exceeded amortization expense in the current period.	132,917
Call premiums paid totalling $81,700 in connection with refunding the outstanding Revenue Bonds and Certificates of of Participation consume current financial resources of governmental funds; however, such premiums are capitalized in the Statement of Net Assets and amortized to interest expense over the life of the new debt. This is the amount by which the premiums paid exceeded amortized interest in the current period.	69,612
Repayments during the year of new debt, issued to refund Revenue Bonds and Certificates of Participation, and of capital leases consume current financial resources of governmental funds; however, such payments are treated as the reduction of a liability in the Statement of Net Assets.	420,462
The decrease in net pension asset does not require the use of current financial resources and is not reported in governmental funds.	(1,048)
Certain property tax revenues recognized and reported in the 2012 Statement of Activities will not provide current financial resources until 2013 when collected and, therefore, are reported as deferred revenues in the governmental funds at the end of 2012.	51,389
Certain interest expense accrued and reported in the 2011 Statement of Activities did not require the use of current financial resources until 2012 and, therefore, are reported as expenditures in governmental funds during 2012.	86,998
Change in net assets - governmental activities	$ 16,762

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, 2012

	Budget			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Property taxes	$ 7,247,851	$ 7,247,851	$ 6,793,643	$ (454,208)
Franchise taxes	70,000	70,000	92,000	22,000
Sales taxes	2,500,000	2,500,000	2,968,069	468,069
Other taxes	1,015,500	1,015,500	1,149,972	134,472
Licenses and permits	128,450	128,450	127,886	(564)
Intergovernmental	1,067,275	1,067,275	1,435,557	368,282
Charges for services	971,600	971,600	732,094	(239,506)
Fines and forfeitures	584,500	584,500	554,610	(29,890)
Investment income	13,000	13,000	8,472	(4,528)
Contributions and donations	-	-	2,600	2,600
Other	150,000	150,000	204,311	54,311
Total revenues	13,748,176	13,748,176	14,069,214	321,038
EXPENDITURES				
Current:				
General government:				
Legislative	684,810	684,810	573,317	111,493
Elections	317,622	317,622	205,944	111,678
Purchasing	15,000	15,000	10,163	4,837
Tax commissioner	358,914	358,914	338,309	20,605
Tax assessor	698,988	693,125	683,321	9,804
Building and grounds	817,150	817,150	642,125	175,025
General administration	20,000	20,000	21,057	(1,057)
Total general government	2,912,484	2,906,621	2,474,236	432,385
Judicial:				
Superior court	264,689	264,689	215,086	49,603
Clerk of Superior court	503,724	503,724	438,497	65,227
District attorney	177,712	177,712	190,924	(13,212)
Drug task force	45,000	45,000	55,097	(10,097)

(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, 2012

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Judicial (continued):				
Magistrate court	$ 244,317	$ 244,317	$ 228,974	$ 15,343
Probate court	272,003	272,003	253,489	18,514
Juvenile court	223,841	223,841	208,724	15,117
Public defender	175,000	175,000	215,304	(40,304)
Total judicial	1,906,286	1,906,286	1,806,095	100,191
Public safety:				
Sheriff	1,441,152	1,441,152	1,528,856	(87,704)
Detention center	1,256,113	1,256,113	1,196,033	60,080
Resource officer	97,287	96,287	1,296	94,991
Probation center	31,746	31,746	31,720	26
Fire	379,465	379,465	322,085	57,380
Emergency medical services	1,634,595	1,634,595	1,701,887	(67,292)
Coroner	29,942	29,942	25,935	4,007
E-911	480,977	480,977	406,457	74,520
Animal control	204,245	204,245	177,254	26,991
Emergency management	116,789	116,789	112,281	4,508
Total public safety	5,672,311	5,671,311	5,503,804	167,507
Public works:				
Roads and bridges	2,569,658	2,569,658	1,654,446	915,212
Closure and postclosure care	22,000	22,000	14,114	7,886
Total public works	2,591,658	2,591,658	1,668,560	923,098
Health and welfare:				
Public heatlh	60,545	60,545	64,412	(3,867)
Welfare	45,498	45,498	19,222	26,276
Senior citizen center	112,042	112,042	167,764	(55,722)
Other direct assistance	7,554	27,554	47,554	(20,000)
Total health and welfare	225,639	245,639	298,952	(53,313)

(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, 2012

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Culture and recreation:				
Recreation	$ 496,923	$ 496,923	$ 459,054	$ 37,869
Arts	65,366	65,366	78,978	(13,612)
Regional library	167,720	167,720	168,270	(550)
Total culture and recreation	730,009	730,009	706,302	23,707
Housing and development:				
County extension	23,523	23,523	16,952	6,571
Natural resources and conservation	19,000	19,000	13,896	5,104
Land development	307,434	307,434	246,720	60,714
Development Authority	188,824	188,824	87,907	100,917
Total housing and development	538,781	538,781	365,475	173,306
Debt service:	645,696	645,696	768,318	(122,622)
Total expenditures	15,222,864	15,236,001	13,591,742	1,644,259
Excess (deficiency) of revenues over (under) expenditures	(1,474,688)	(1,487,825)	477,472	1,965,297
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	9,325,250	9,325,250
Transfers in	-	-	171,610	171,610
Transfers out	-	-	(9,180,250)	(9,180,250)
Total other financing sources (uses)	-	-	316,610	316,610
Net change in fund balance	(1,474,688)	(1,487,825)	794,082	2,281,907
FUND BALANCE, beginning of year, restated	8,007,591	8,007,591	8,007,591	-
FUND BALANCE, end of year	$ 6,532,903	$ 6,519,766	$ 8,801,673	$ 2,281,907

(concluded)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

	Agency Funds
ASSETS	
Cash	$ 5,048,499
Restricted cash	272,511
Taxes receivable	2,738,205
Total assets	$ 8,059,215
LIABILITIES	
Due to others	$ 8,059,215
Total liabilities	$ 8,059,215

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, 2012. 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.* The comparison of direct expenses and program revenues identifies the extent to which each program is self-financing or draws from the general revenues of the County.

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 SPLOST/Capital Improvements Fund accounts for financial resources provided from the Special Purpose Local Option Sales Tax where such resources are to be used for prescribed projects.

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, 2012, have been funded by loans from the General Fund and the County's 2011 Special Purpose Local Option Sales Tax. Management anticipates future project financing through grants or other sources.

The Building Authority accounts for financial resources provided and used to acquire, construct and maintain capital projects for use by the County.

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)

As noted above, 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 Fannin County Water Authority (the "Authority"), which is a political subdivision of the State of Georgia, approved by the State of Georgia in April, 2010. The 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 operating activities in 2010, 2011 or 2012.

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.

Government-wide net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for capital projects reflect the restrictions of their use.

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

State of 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, 2012, 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.

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. Net Assets

The County's policy would be to use restricted net assets first when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not employed by the County.

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONCLUDED)

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2012, expenditures did not exceed appropriations at the department level (the legal level of control), except as follows:

Fund/Department	Excess
General Fund:	
General Adminstration	$ 1,057
District Attorney	13,212
Drug Task Force	10,097
Public Defender	40,304
Sheriff	87,704
Emergency Medical Services	67,292
Public Health	3,867
Senior Citizen Center	55,722
Other Direct Assistance	20,000
Arts	13,612
Regional Library	550
Debt Service	122,622

These excess expenditures, which resulted from unanticipated costs, were funded by greater than anticipated revenues and 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 Office of State Treasurer. 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, 2012, all financial institution deposits were fully insured or collateralized.

NOTE 4. RECEIVABLES

Receivables at December 31, 2012, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

Primary Government

	General Fund	SPLOST/ Roads	Nonmajor Funds
Recievables:			
Property taxes	$ 1,104,365	$ -	$ -
Accounts	300,106	-	151,365
Due from other Governments	441,543	331,370	12,343
Gross Receivables	1,846,014	331,370	163,708
Less allowance for uncollectibles	58,698	-	-
Total receivables - net	$ 1,787,316	$ 331,370	$ 163,708

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 12, 2012, 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, 2012, ambulance billings of $172,642 were outstanding for emergency services, and are included in accounts receivable above. An allowance for uncollectible accounts of $58,698 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, 2012, was as follows:

A. Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 2,130,899	$ 40,000	$ -	$ -	$ 2,170,899
Construction in progress (1)	373,900	885,113	-	(570,878)	688,135
Total	2,504,799	925,113	-	(570,878)	2,859,034
Capital assets, being depreciated:					
Infrastructure	23,332,460	-	-	570,878	23,903,338
Buildings and improvements	19,894,058	40,801	-	-	19,934,859
Machinery and equipment	12,363,598	90,820	(157,835)	-	12,296,583
Total	55,590,116	131,621	(157,835)	570,878	56,134,780
Less accumulated depreciation for:					
Infrastructure	11,695,088	874,454	-	-	12,569,542
Buildings and improvements	3,657,843	458,104	-	-	4,115,947
Machinery and equipment	9,296,405	635,037	(157,563)	-	9,773,879
Total	24,649,336	1,967,595	(157,563)	-	26,459,368
Total capital assets being depreciated, net	30,940,780	(1,835,974)	(272)	570,878	29,675,412
Governmental activities Capital assets, net	$ 33,445,579	$ (910,861)	$ (272)	$ -	$ 32,534,446

(1) Construction in progress at December 31, 2012, includes expenditures paid by the General Fund on behalf of the Water/Capital Projects Fund. These expenditures totaling $615,579 are primarily for professional fees in connection with water system design and engineering. Construction in progress also includes capital expenditures of $63,106 incurred by the SPLOST/Roads fund for an unfinished paving project. 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 $570,878 above represent the accumulated costs incurred on road and bridge projects that were completed and put into service during 2012.

Also during 2012, the County disposed of 11 vehicles with a book value of $272 and realized proceeds totaling $5,225.

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense during the year ended December 31, 2012, was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	$ 237,317
Judicial	2,949
Public safety	521,836
Public works	1,054,310
Health and welfare	47,917
Culture and recreation	99,091
Housing and development	4,175
Total	$ 1,967,595

B. Discretely Presented Component Unit – Development Authority

	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Capital assets, not being depreciated:					
Land	$ 579,612	$ -	$ -	$ -	$ 579,612
Construction in progress	308,372	44,266	-	(221,263)	131,375
Total	887,984	44,266	-	(221,263)	710,987
Capital assets, being depreciated:					
Land improvements	5,000	-	-	-	5,000
Buildings and improvements	980,617	-	-	221,263	1,201,880
Equipment	110,546	-	-	-	110,546
Total	1,096,163	-	-	221,263	1,317,426
Less accumulated depreciation for:					
Land improvements	5,000	-	-	-	5,000
Buildings and improvements	124,113	47,295	-	-	171,408
Equipment	91,620	1,952	-	-	93,572
Total	220,733	49,247	-	-	269,980
Total capital assets being depreciated, net	875,430	(49,247)	-	221,263	1,047,446
Total capital assets, net	$ 1,763,414	$ (4,981)	$ -	$ -	$ 1,758,433

Reclassifications of $221,263 above represent building renovations completed and put into service during 2012. There were no disposals of Development Authority capital assets during the year.

NOTE 5. CAPITAL ASSETS (CONCLUDED)

C. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Reclassifications	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	7,724	658	-	-	8,382
Leasehold improvements	5,053	-	-	-	5,053
Total	12,777	658	-	-	13,435
Total capital assets being depreciated, net	2,594	(658)	-	-	1,936
Total capital assets, net	$ 2,594	$ (658)	$ -	$ -	$ 1,936

NOTE 6. RESTRICTED ASSETS

Restrictions on cash and cash equivalents at December 31, 2012, in the following funds are as follows:

Governmental Activities	Restricted Balance
SPLOST/Roads - for roads and bridges	$ 1,883,813
SPLOST/Capital Improvements - for capital projects	901,274
Water/Capital Projects - for water system projects	500
Nonmajor funds - for emergency services	167,439
Nonmajor funds - for purposes of grants received	75,200
Nonmajor funds - for sheriff and jail operations	91,598
Nonmajor funds - for juvenile services	48,992
Nonmajor funds - for technology	189,679
Nonmajor funds - for economic development	51,045
Nonmajor funds - for other purposes	12,832
Total restricted cash and cash equivalents	$ 3,422,372

NOTE 7. LONG-TERM DEBT

Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2012:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Revenue Bonds	$ 3,895,000	$ -	$ 3,895,000	$ -	$ -
Certificates of Participation	4,990,000	-	4,990,000	-	-
Installment Sale Agreement	-	9,325,250	270,070	9,055,180	912,913
Capital leases	593,557	-	150,392	443,165	130,428
Less Deferred Amounts:					
Call Premium	-	(81,700)	(12,088)	(69,612)	(14,997)
Total	$ 9,478,557	$ 9,243,550	$ 9,293,374	$ 9,428,733	$ 1,028,344

Current Refunding - During December 2011, the County entered into an Installment Sale Agreement with the Association of County Commissioners of Georgia (the "ACCG") for the purpose of refunding the outstanding Certificates of Participation and Revenue Bonds identified above. The substance of the agreement provided for the sale and simultaneous repurchase of the County's Court House and Jail facilities for $9,325,250, an amount sufficient to refund the outstanding certificates and bonds, and to fund other costs of the transaction. Although the agreement with the ACCG was executed in 2011, 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 and under terms of the Installment Sale Agreement, the County transferred ownership of the Court House and Jail facilities to the ACCG. This refunding transaction reduced the County's total debt service payments over the next ten years by $675,905 and resulted in an economic gain of $676,656.

New debt in the amount of $9,325,250 was paid out as follows:

	Proceeds from Installment Sale Agreement Paid Out For:				
Governmental Activities	Principal Payment	Interest Payment	Call Premium Payment	New Debt Issuance Costs	Total New Debt
Revenue Bonds	$ 3,895,000	$ 93,618	$ 35,800	$ -	$ 4,024,418
Certificates of Participation	4,990,000	119,932	45,900	-	5,155,832
Installment Sale Agreement	-	-	-	145,000	145,000
Total	$ 8,885,000	$ 213,550	$ 81,700	$ 145,000	$ 9,325,250

NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government (Continued)

Simultaneous with completion of these payments, the County agreed 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 reacquisition price of the old debt (the Call Premium Payment above) exceeded the net carrying amount by $81,700. This amount is being netted against the new debt and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. New Debt Issuance Costs in the amount of $145,000 will be amortized over the life of the new debt. Current year amortization amounted to $12,083.

The Installment Sale Agreement bears interest at a rate of 2.39% and matures in 2021. Future debt service requirements under the agreement are as follows:

Calendar Year	Principal	Interest	Total
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	1,004,704	119,900	1,124,604
2018-2021	4,263,221	225,805	4,489,026
Total	$ 9,055,180	$ 1,055,640	$ 10,110,820

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 bore interest at varying rates from 2.7% to 5.0% and were to mature in 2021. The bonds were refunded during 2012 as discussed above.

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 ACCG leasing program to help finance construction of the new Courthouse. The Certificates of Participation bore interest at rates varying from 2.7% to 5.0% and were to mature in 2021. The certificates were refunded during 2012 as discussed above.

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. The total cost of vehicles financed under capital leases is $723,875 at December 31, 2012, and such cost is included under governmental activities in the accompanying financial statements.

Lease interest rates vary from 2.4% to 4.9%. Future debt service requirements under capital leases are as follows:

NOTE 7. LONG-TERM DEBT (CONTINUED)

Primary Government (Concluded)

Calendar Year	Total
2013	$ 149,625
2014	149,625
2015	95,226
2016	95,226
Total minimum lease payments	489,702
Less: amount representing interest	46,537
Present value of minimum lease payments	$ 443,165

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, 2012, 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, 2012:

Component Unit - Development Authority	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
OneGeorgia Authority					
Note Payable -					
Part 1	$ 308,371	$ 44,267	$ 221,283	$ 131,355	$ -
Part 1 (active)	-	221,283	-	221,283	11,063
Part 2	146,827	-	4,144	142,683	5,663
Total	$ 455,198	$ 265,550	$ 225,427	$ 495,321	$ 16,726

NOTE 7. LONG-TERM DEBT (CONCLUDED)

Component Unit – Development Authority (Concluded)

Note Payable Agreement - During the year ended December 31, 2011, Fannin County Development Authority entered into a $500,000 note payable agreement with OneGeorgia Authority for the purpose of renovating a building purchased by the Authority in 2010. The agreement was awarded in two parts. Part 1 of the award was in the amount of $352,638 and at December 31, 2012, was fully drawn. This portion of the note becomes due and will begin amortization the earlier of five years from the last drawdown on the note or at the time the building becomes 70% leased. During 2012, the Authority completed and leased an additional portion of the building which activated the amortization of $221,283 of Part 1. The agreement provides that monies advanced under Part 1 will be repaid over a 20 year term at 0% interest.

The amortization schedule below reflects the active portion of Part 1 of the loan which is being amortized over a term of 20 years at 0% interest. Future debt service requirements under Part 1 (active portion) are as follows:

Calendar Year	Principal	Interest	Total
2013	$ 11,063	$ -	$ 11,063
2014	11,063	-	11,063
2015	11,063	-	11,063
2016	11,063	-	11,063
2017	11,063	-	11,063
2018 - 2022	55,316	-	55,316
2023 - 2027	55,316	-	55,316
2028 - 2031	55,336	-	55,336
Total	$ 221,283	$ -	$ 221,283

Part 2 of the award was for $147,362 and is considered an intergovernmental contract with OneGeorgia Authority. Part 2 became due and payable during December 2011. The amortization schedule below reflects 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
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	6,382	3,498	9,880
2018 - 2022	34,932	14,468	49,400
2023 - 2027	40,563	8,837	49,400
2028 - 2031	37,104	2,409	39,513
Total	$ 142,683	$ 45,030	$ 187,713

NOTE 8. FUND BALANCE

During the year ended December 31, 2011, the County adopted GASB Statement No. 54, which redefined how fund balances of 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, 2012, are as follows:

General Fund - The General Fund has Unassigned Fund Balance of $8,517,932 at December 31, 2012. Prepaid items in the amount of $283,741 are considered Nonspendable Fund Balance.

Other Major Funds – At December 31, 2012, The SPLOST/Roads Fund has Restricted Fund Balance of $1,734,085 to be used for road, street and bridge projects. The SPLOST/Capital Improvements Fund has a Restricted Fund balance of $900,942 to be used for construction of capital projects. The Water/Capital Projects Fund has an Unassigned Fund Deficit of ($615,079) resulting from the water project expenditures financed by borrowings from the General Fund. The Building Authority Fund has a $0 Fund Balance.

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NOTE 8. FUND BALANCE (CONCLUDED)

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	$ 10,900
Confiscated Assets	public safety purposes (except salaries of law enforcement personnel)	6,046
Multiple Grant	purposes specified by grantors of monies received from various Federal and State agencies	48,047
Crime Victims Assistance	benefit victims of crime and their families	2,345
Drug	drug abuse treatment and education	18,078
Juvenile	operations, staffing and juvenile related programs	48,992
Excise Tax Lodging	tourism promotion within the County	1,931
Clerks Technology	technology upgrades in Clerk's Office	189,679
Revolving Loan	economic development within the County	66,420
Donations/Special Projects	construction of capital projects	2,519
Emergency 911	operating and personnel costs of emergency services	211,693
		$ 606,650

Additional nonmajor, special revenue fund balances at December 31, 2012, include the Jail Fund with a deficit of ($12,348), which is considered Unassigned Fund Balance, and the Emergency 911 Fund with prepaid items amounting to $5,000 which are considered Nonspendable Fund Balance.

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NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2012, is as follows:

Receivable Fund	Payable Fund	Amounts
General Fund	Water/Capital Projects	$ 615,579
General Fund	Nonmajor Funds	57,620
SPLOST/Roads	SPLOST/Capital Improvements	333
		$ 673,532

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, 2012, is as follows:

Transfers In	Transfers Out	Amount
SPLOST/Capital Improvements	General Fund	$ 5,155,832
Building Authority	General Fund	4,024,418
SPLOST/Capital Improvements	SPLOST/Roads	751,026
General Fund	SPLOST/Capital Improvements	151,610
Water/Capital Projects	SPLOST/Capital Improvements	40,000
General Fund	Nonmajor Fund	20,000
		$ 10,142,886

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. Transfers in the amounts of $5,155,832 and $4,024,418 were made by the General Fund to the SPLOST/Capital Improvements and Building Authority funds, respectively, in connection with the refunding of outstanding debt. See Note 7.

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, 400 Galleria Parkway, Suite 1250, Atlanta, Georgia, 30339.

Membership as of January 1, 2012, and Covered Compensation

Plan membership consisted of the following:	
Retired participants, disabled and beneficiaries currently receiving benefits	49
Terminated participants and beneficiaries entitled to benefits, but not yet receiving benefits:	74
Active participants	140
Total	263
Covered compensation for active participants	$ 4,945,722

Funding Policy – The County is required to contribute an actuarially determined amount annually to the Plan's trust. The recommended contribution of $735,072 for 2012 was 14.9% 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, 2012, were determined as follows:

Derivation of Annual Pension Cost / Net Pension Asset	2012
Annual required contibution	$ 735,072
Interest on net pension asset	(14,978)
Amortization of net pension asset	16,026
Annual pension cost for the year	736,120
Actual contributions to the Plan for the year	735,072
Decrease in net pension asset	1,048
Net pension asset as of January 1, 2012	193,262
Net pension asset as of December 31, 2012	$ 192,214

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, 2012.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Basis of Valuation

Current valuation date	January 1, 2012
Actuarial assumptions:	
Assumed rate of return on assets	7.75%
Expected annual salary increases	4.0% to 6.5% based on age
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
1/1/2012	$ 736,120	$ 735,072	99.9 %	$ 193,262
1/1/2011	723,121	722,067	99.9	194,316
1/1/2010	646,493	645,434	99.8	195,375

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)
12/31/2012	$ 6,722,335	$ 8,800,847	$ 2,078,512	76.4 %	$ 4,945,722	42.0 %

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, 2012, employees contributed $37,498 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, 2012.

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 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 Fannin County Water Authority (the "Authority") was approved by the State of Georgia as a political subdivision of the State in April, 2010. The general purposes of the 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 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 $615,579 have been financed with cash reserves in the County's General Fund. Additional expenditures by the General Fund during 2010 of $363,734 were for the purchase of two parcels of land for use as quarry and well sites. During 2012 the Water/Capital Projects Fund paid $40,000 for an additional .79 acres of land with monies transferred from the SPLOST/Capital Improvements Fund.

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, 2012, the county spent $783,927 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, 2012, the County paid such dues in the amount of $21,057. 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, 2011, the County inadvertently understated the amount due to other governments for its share of prior years Drug Task Force expenditures. The amount of understatement was $129,378. The County also understated its receivable from other governments at December 31, 2011, for a GEMA grant in the amount of $20,693. These understatements misstated expenditures in the General Fund and misstated revenues in the Multiple Grant Fund for the year ended December 31, 2011. Accordingly, the following adjustments were recorded to correct these understatements:

	General Fund Fund Balance	Multiple Grant Fund	Government Wide Net Assets (Primary Government)
December 31, 2011, as previously reported	$ 8,136,969	$ 56,615	$ 35,517,070
Adjustment to record expenditures for Drug Task Force understated in 2011	(129,378)		(129,378)
Adjustment to record GEMA grant revenues understated in 2011	-	20,693	20,693
December 31, 2011, as restated	$ 8,007,591	$ 77,308	$ 35,408,385

REQUIRED SUPPLEMENTARY INFORMATION

FANNIN COUNTY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
FANNIN COUNTY RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2012

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
12/31/2012	$ 6,722,335	*	$ 8,800,847	$ 2,078,512	76.4 %	$ 4,945,722	42.0 %
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	*	6,404,285	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

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 2012 are the same as those used in the preceding valuation.

* Reflects change to asset smoothing adopted 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 2012 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 vary 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.
Emergency 911	To account 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.

FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
ASSETS							
Cash and cash equivalents	$ 10,900	$ 6,046	$ 75,200	$ 18,295	$ 17,761	$ 49,496	$ 48,992
Accounts receivable	-	-	-	283	317	-	-
Due from other governments	-	-	11,250	-	-	1,093	-
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	$ 10,900	$ 6,046	$ 86,450	$ 18,578	$ 18,078	$ 50,589	$ 48,992
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ -	$ -	$ 11,250	$ 16,233	$ -	$ 5,317	$ -
Due to other funds	-	-	-	-	-	57,620	-
Due to component unit	-	-	27,153	-	-	-	-
Total liabilities	-	-	38,403	16,233	-	62,937	-
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	10,900	6,046	48,047	2,345	18,078	-	48,992
Unassigned	-	-	-	-	-	(12,348)	-
Total fund balances	10,900	6,046	48,047	2,345	18,078	(12,348)	48,992
Total liabilities and fund balances	$ 10,900	$ 6,046	$ 86,450	$ 18,578	$ 18,078	$ 50,589	$ 48,992

Continued

FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue					
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	Emergency 911	Total
ASSETS						
Cash and cash equivalents	$ 1,931	$ 189,679	$ 51,045	$ 2,519	$ 167,439	$ 639,303
Accounts receivable	90,698	-	15,375	-	44,692	151,365
Due from other governments	-	-	-	-	-	12,343
Due from other funds	-	-	-	-	-	-
Prepaid items	-	-	-	-	5,000	5,000
Total assets	$ 92,629	$ 189,679	$ 66,420	$ 2,519	217,131	$ 808,011
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 90,698	$ -	$ -	$ -	438	$ 123,936
Due to other funds	-	-	-	-		57,620
Due to component unit	-	-	-	-	-	27,153
Total liabilities	90,698	-	-	-	438	208,709
Fund Balances:						
Nonspendable	-	-	-	-	5,000	5,000
Restricted	1,931	189,679	66,420	2,519	211,693	606,650
Unassigned	-	-	-	-	-	(12,348)
Total fund balances	1,931	189,679	66,420	2,519	216,693	599,302
Total liabilities and fund balances	$ 92,629	$ 189,679	$ 66,420	$ 2,519	$ 217,131	$ 808,011

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
REVENUES							
Other taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	55,751	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	12,068	11,115	-	15,750	15,202	22,032	1,956
Investment income	5	10	170	23	57	96	95
Contributions and donations	-	-	-	-	-	-	-
Total revenues	12,073	11,125	55,921	15,773	15,259	22,128	2,051
EXPENDITURES							
Current:							
Judicial	16,578	-	-	-	-	-	750
Public safety	-	12,505	9,067	16,233	41,987	7,758	-
Health and welfare	-	-	44,500	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-	-
Capital outlay:							
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	11,615	-	-	-	-
Total expenditures	16,578	12,505	65,182	16,233	41,987	7,758	750
Excess (deficiency) of revenues over (under) expenditures	(4,505)	(1,380)	(9,261)	(460)	(26,728)	14,370	1,301
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(20,000)	-	-	-	-
Total other financing sources (uses)	-	-	(20,000)	-	-	-	-
Net change in fund balances	(4,505)	(1,380)	(29,261)	(460)	(26,728)	14,370	1,301
FUND BALANCES, beginning of year, restated	15,405	7,426	77,308	2,805	44,806	(26,718)	47,691
FUND BALANCES, end of year	$ 10,900	$ 6,046	$ 48,047	$ 2,345	$ 18,078	$ (12,348)	$ 48,992

Continued

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue					
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	Emergency 911	Total
REVENUES						
Other taxes	$ 784,022	$ -	$ -	$ -	$ -	$ 784,022
Intergovernmental	-	40,870	-	-	-	96,621
Charges for services	-	-	-	-	358,824	358,824
Fines and forfeitures	-	-	-	-	-	78,123
Investment income	26	122	926	8	379	1,917
Contributions and donations				1,539		1,539
Total revenues	784,048	40,992	926	1,547	359,203	1,321,046
EXPENDITURES						
Current:						
Judicial	-	-	-	-	-	17,328
Public safety	-	-	-	-	257,672	345,222
Health and welfare	-	-	-	-		44,500
Culture and recreation	-	-	-	-	-	-
Housing and development	783,927	-	7,000	-	-	790,927
Capital outlay:						
Judicial	-	5,769	-	-	-	5,769
Public safety	-	-	-	-	4,150	4,150
Culture and recreation	-	-	-	19,696		31,311
Total expenditures	783,927	5,769	7,000	19,696	261,822	1,239,207
Excess (deficiency) of revenues over (under) expenditures	121	35,223	(6,074)	(18,149)	97,381	81,839
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(20,000)
Total other financing sources (uses)	-	-	-	-	-	(20,000)
Net change in fund balances	121	35,223	(6,074)	(18,149)	97,381	61,839
FUND BALANCES, beginning of year, restated	1,810	154,456	72,494	20,668	119,312	537,463
FUND BALANCES, end of year	$ 1,931	$ 189,679	$ 66,420	$ 2,519	$ 216,693	$ 599,302

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

	Clerk of Superior Court	Judge of Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total Agency Funds
ASSETS						
Cash	$ 164,160	$ 5,666	$ 2,757	$ -	$ 4,875,916	$ 5,048,499
Restricted cash	131,740	6,477	1,262	17,053	115,979	272,511
Taxes receivable	-	-	-	-	2,738,205	2,738,205
Total Assets	$ 295,900	$ 12,143	$ 4,019	$ 17,053	$ 7,730,100	$ 8,059,215
LIABILITIES						
Due to others	$ 295,900	$ 12,143	$ 4,019	$ 17,053	$ 7,730,100	$ 8,059,215
Total Liabilities	$ 295,900	$ 12,143	$ 4,019	$ 17,053	$ 7,730,100	$ 8,059,215

FANNIN COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER, 31 2012

	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	$ 28,195,535	$ 1,690,306	$ 29,885,841	
Roads and Bridges Improvements	$ 25,000,000	$ 25,000,000	$ 25,566,558	$ 1,690,306	$ 27,256,864	109%
Contractual Payments:						
City of Blue Ridge	$ -	$ -	1,386,032	-	1,386,032	
City of McCaysville	$ -	$ -	1,242,945	-	1,242,945	
Total 2005 Projects			$ 28,195,535	$ 1,690,306	$ 29,885,841	
2011 Projects:	$ 25,000,000	$ 25,000,000	$ 112,028	$ 2,558,611	$ 2,670,639	
Roads and Bridges Improvements	$ 17,025,000	$ 17,025,000	$ -	$ 1,920,140	$ 1,920,140	11%
Capital Improvements:						
Water	$ 2,500,000	$ 2,500,000	-	40,000	40,000	2%
Capital Outlay	$ 2,500,000	$ 2,500,000	-	151,610	151,610	6%
Contractual Payments:						
City of Blue Ridge	$ 1,575,000	$ 1,575,000	59,309	236,573	295,882	
City of McCaysville	$ 1,400,000	$ 1,400,000	52,719	210,288	263,007	
Total 2011 Projects			$ 112,028	$ 2,558,611	$ 2,670,639	

The above schedule has been prepared using modified accrual accounting.

Additional expenditures during the year of $5,155,832 by the SPLOST/ Capital Improvements Fund for redemption of debt 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 2012

State Program Name	Contract Number	Current Year		Amount Due from (to) State
		Received	Expended	
Family Connections	93-121200118-99	$ 22,000	$ 22,000	$ -
Family Connections	93-131300054-99	22,500	22,500	11,250

The above schedule has been prepared using modified accrual accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Fannin County, Georgia's basic financial statements and have issued our report thereon dated April 26, 2013.

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiency to be a 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 Magistrate Court 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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Fannin County, Georgia's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on

compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RL Jennings & Associates, PC

Ellijay, Georgia
April 26, 2013