FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

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, 2013, 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 7.8% and 84.4%, 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, 2013, 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.

As described in Notes 1 and 7 to the financial statements, the County has adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The 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 Expenditures of Federal Awards, 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, such 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 23, 2014, 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.

R L Jennings & Associates, PC

Ellijay, Georgia
April 23, 2014

BASIC FINANCIAL STATEMENTS

FANNIN COUNTY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government	Component Units		
	Governmental Activities	Department of Public Health	Parks and Recreation Commission	Development Authority
ASSETS				
Cash and cash equivalents	$ 6,411,923	$ 162,297	$ -	$ 94,529
Restricted cash and cash equivalents	3,932,918	-	-	-
Investments	519,202	-	-	-
Property taxes receivable	1,099,257	-	-	-
Accounts receivable, net	489,821	28,727	-	447,347
Due from other governments	1,058,908	-	-	-
Due from primary government	-	-	-	33,902
Due from component unit	52,974	-	-	-
Inventories	-	180	-	-
Prepaid items	267,748	-	-	-
Capital assets, not being depreciated	3,317,848	-	-	579,612
Capital assets, net of accumulated depreciation	29,342,846	1,278	-	1,089,734
Net pension asset	191,172	-	-	-
Total assets	46,684,617	192,482	-	2,245,124
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	54,615	-	-	-
Total deferred outflows of resources	54,615	-	-	-
LIABILITIES				
Accounts payable	323,841	-	-	447,347
Accrued liabilities	232,690	45,530	-	3,000
Due to other governments	160,235	-	-	-
Due to primary government	-	-	-	52,974
Due to component unit	33,902	-	-	-
Unearned revenue	464,969	-	-	-
Accrued interest	62,411	-	-	-
Long-term liabilities:				
Due within one year	1,092,968	-	-	16,897
Due in more than one year	7,406,923	-	-	461,705
Total liabilities	9,777,939	45,530	-	981,923
NET POSITION				
Net investment in capital assets	24,215,418	1,278	-	1,669,346
Restricted for:				
Capital projects	2,557,464	-	-	-
Other purposes	725,009	6,658	-	-
Unrestricted	9,463,402	139,016	-	(406,145)
Total net position	$ 36,961,293	$ 146,952	$ -	$ 1,263,201

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

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 Position: 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	$ 3,268,781	$ 57,725	$ -	$ -	$ (3,211,056)			
Judicial	1,833,903	422,106	72,638	-	(1,339,159)			
Public safety	6,606,063	1,503,172	40,362	-	(5,062,529)			
Public works	5,477,593	6,207	-	1,126,742	(4,344,644)			
Health and welfare	440,478	54,458	152,776	-	(233,244)			
Culture and recreation	910,526	115,056	-	1,000	(794,470)			
Housing and development	1,148,491	146,378	-	-	(1,002,113)			
Interest on long-term liabilities	220,465	-	-	-	(220,465)			
Total governmental activities	$ 19,906,300	$ 2,305,102	$ 265,776	$ 1,127,742	(16,207,680)			
Component units:								
Department of Public Health	$ 514,306	$ 231,605	$ 222,882	$ -		$ (59,819)	$ -	$ -
Recreation and Parks Commission	17,554	-	-	-		-	(17,554)	-
Development Authority	106,936	98,244	-	-		-	-	(8,692)
Total component units	$ 638,796	$ 329,849	$ 222,882	$ -		(59,819)	(17,554)	(8,692)
General Revenues:								
Property taxes					8,542,744	-	-	-
Franchise taxes					103,698	-	-	-
Sales taxes					6,769,519	-	-	-
Other taxes					2,082,707	-	-	-
Miscellaneous revenues					17,122	80,570	357	-
Unrestricted investment earnings					10,533	-	-	386
Total general revenues					17,526,323	80,570	357	386
Change in net position					1,318,643	20,751	(17,197)	(8,306)
Net position, beginning of year, restated					35,642,650	126,201	17,197	1,271,507
Net position, end of year					$ 36,961,293	$ 146,952	$ -	$ 1,263,201

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	SPLOST/ Roads	SPLOST/ Capital Improvements	Water/ Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 6,403,750	$ 1,666,513	$ 1,491,913	$ 4,702	$ 777,963	$ 10,344,841
Investments	519,202	-	-	-	-	519,202
Property taxes receivable	1,099,257	-	-	-	-	1,099,257
Accounts receivable, net	297,923	-	-	-	191,898	489,821
Due from other governments	623,657	392,290	-	-	42,961	1,058,908
Due from other funds	1,364,290	-	32,557	34,586	-	1,431,433
Due from component unit	-	-	-	-	52,974	52,974
Prepaid items	262,748	-	-	-	5,000	267,748
Total assets	$ 10,570,827	$ 2,058,803	$ 1,524,470	$ 39,288	$ 1,070,796	$ 15,264,184
LIABILITIES						
Accounts payable	$ 139,011	$ 84,372	$ -	$ -	$ 100,458	$ 323,841
Accrued liabilities	232,690	-	-	-	-	232,690
Due to other governments	46,825	79,581	-	-	33,829	160,235
Due to other funds	-	397,387	-	851,190	182,856	1,431,433
Due to component unit	6,749	-	-	-	27,153	33,902
Unearned revenue	-	464,469	-	-	500	464,969
Total liabilities	425,275	1,025,809	-	851,190	344,796	2,647,070
DEFERRED INFLOWS OF RESOURCES						
Unavailable property taxes	569,388	-	-	-	-	569,388
Unavailable ambulance revenues	125,702	-	-	-	-	125,702
Total deferred inflows of resources	695,090	-	-	-	-	695,090
FUND BALANCES (DEFICIT)						
Nonspendable	262,748	-	-	-	5,000	267,748
Restricted	-	1,032,994	1,524,470	-	725,009	3,282,473
Unassigned	9,187,714	-	-	(811,902)	(4,009)	8,371,803
Total fund balances (deficit)	9,450,462	1,032,994	1,524,470	(811,902)	726,000	11,922,024
Total liabilities , deferred inflows of resources and fund balances (deficit)	$ 10,570,827	$ 2,058,803	$ 1,524,470	$ 39,288	$ 1,070,796	$ 15,264,184

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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Total fund balances - governmental funds	$ 11,922,024
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.	32,660,694
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	695,090
Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds.	(8,562,302)
Deferred charge on refunding is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	54,615
Net pension asset is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	191,172
Total net position - governmental activities	$ 36,961,293

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, 2013

	General Fund	SPLOST/ Roads	SPLOST/ Capital Improvements	Water/ Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 7,369,051	$ -	$ -	$ -	$ -	$ 7,369,051
Franchise taxes	103,698	-	-	-	-	103,698
Sales taxes	2,965,140	3,804,379	-	-	-	6,769,519
Other taxes	1,325,967	-	-	-	756,740	2,082,707
Licenses and permits	144,867	-	-	-	-	144,867
Intergovernmental	1,383,361	760,450	-	296,000	132,138	2,571,949
Charges for services	960,415	-	-	-	381,809	1,342,224
Fines and forfeitures	555,556	-	-	-	74,789	630,345
Investment income	8,631	3,578	2,331	-	1,902	16,442
Contributions and donations	500	-	-	-	12,220	12,720
Other	179,936	6,167	-	-	-	186,103
Total revenues	14,997,122	4,574,574	2,331	296,000	1,359,598	21,229,625
EXPENDITURES						
Current:						
General government	2,548,743	-	-	-	-	2,548,743
Judicial	1,813,216	-	-	-	13,054	1,826,270
Public safety	5,587,015	-	-	-	458,149	6,045,164
Public works	1,677,882	-	-	40	-	1,677,922
Health and welfare	340,958	-	-	-	45,000	385,958
Culture and recreation	812,154	-	-	-	6,642	818,796
Housing and development	385,932	-	-	-	758,384	1,144,316
Intergovernmental	-	452,588	-	-	-	452,588
Capital outlay:						
General government	28,691	-	-	-	-	28,691
Judicial	105	-	-	-	4,645	4,750
Public safety	99,231	-	104,870	-	-	204,101
Public works	-	4,062,424	-	417,067	-	4,479,491
Health and welfare	566	-	-	-	-	566
Debt service:						
Principal	1,066,132	-	-	-	-	1,066,132
Interest	230,311	-	-	-	-	230,311
Total expenditures	14,590,936	4,515,012	104,870	417,107	1,285,874	20,913,799
Excess (deficiency) of revenues over (under) expenditures	406,186	59,562	(102,539)	(121,107)	73,724	315,826
OTHER FINANCING SOURCES (USES)						
Issuance of debt	67,678					67,678
Transfers in	-	-	726,067	34,586	-	760,653
Transfers out	-	(760,653)	-	-	-	(760,653)
Total other financing sources (uses)	67,678	(760,653)	726,067	34,586	-	67,678
Net change in fund balances	473,864	(701,091)	623,528	(86,521)	73,724	383,504
FUND BALANCES (deficit), beginning of year, restated	8,976,598	1,734,085	900,942	(725,381)	652,276	11,538,520
FUND BALANCES (deficit), end of year	$ 9,450,462	$ 1,032,994	$ 1,524,470	$ (811,902)	$ 726,000	$ 11,922,024

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 - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Net change in fund balances - governmental funds	$ 383,504
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 expense exceeded capital outlays in the current period.	(52,438)
Donated roads do not provide current financial resources and, accordingly, are not recognized as revenues by the governmental funds.	64,384
Vehicles were purchased during the year with proceeds from a new capital lease. These proceeds provide current financial resources to governmental funds; however, the issuance is treated as new long-term debt in the Statement of Net Position.	(67,678)
Repayments during the year of long-term capital lease debt consume current financial resources of governmental funds, but such repayments are treated as the reduction of the debt in the Statement of Net Position.	153,219
Repayments during the year of long-term installment debt, issued in 2012 to refund outstanding Revenue Bonds and Certificates of Participation, consume current financial resources of governmental funds, but such repayments are treated as the reduction of the debt in the Statement of Net Position.	912,913
Call premiums (deferred charge on refunding) of $81,700, paid in connection with installment debt issued in 2012, consumed current financial resources of governmental funds; however, such premiums were capitalized in the Statement of Net Position and are being amortized to interest expense over the life of the new debt. This is the amount of amortized interest recorded in the Statement of Activities.	(14,997)
The decrease in net pension asset does not require the use of current financial resources and is not reported in governmental funds.	(1,042)
Certain property tax and ambulance revenues recognized and reported in the Statement of Activities will not provide current financial resources until 2014 when collected. Accordingly, they are reported as deferred revenues in the governmental funds' Balance Sheet.	(69,064)
Certain interest expense accrued and reported in the 2012 Statement of Activities did not require the use of current financial resources until 2013 and, therefore, are reported as expenditures in governmental funds during 2013.	9,842
Change in net position - governmental activities	$ 1,318,643

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, 2013

	Budget			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Property taxes	$ 8,307,946	$ 8,307,946	$ 7,369,051	$ (938,895)
Franchise taxes	90,000	90,000	103,698	13,698
Sales taxes	2,200,000	2,200,000	2,965,140	765,140
Other taxes	1,098,500	1,098,500	1,325,967	227,467
Licenses and permits	104,700	104,700	144,867	40,167
Intergovernmental	1,162,275	1,162,275	1,383,361	221,086
Charges for services	939,600	939,600	960,415	20,815
Fines and forfeitures	553,000	553,000	555,556	2,556
Investment income	10,000	10,000	8,631	(1,369)
Contributions and donations	-	-	500	500
Other	214,500	214,500	179,936	(34,564)
Total revenues	14,680,521	14,680,521	14,997,122	316,601
EXPENDITURES				
Current:				
General government:				
Legislative	749,389	749,389	695,571	53,818
Elections	245,097	229,097	128,094	101,003
Purchasing	18,000	18,000	14,366	3,634
Tax commissioner	393,101	393,101	358,380	34,721
Tax assessor	740,562	740,562	717,653	22,909
Building and grounds	671,206	671,206	652,931	18,275
General administration	20,000	20,000	10,439	9,561
Total general government	2,837,355	2,821,355	2,577,434	243,921
Judicial:				
Superior court	256,186	256,186	235,633	20,553
Clerk of Superior court	501,499	501,499	500,348	1,151
District attorney	131,500	131,500	107,341	24,159
Drug task force	45,000	45,000	45,000	-

(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, 2013

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Judicial (continued):				
Magistrate court	$ 250,551	$ 250,551	$ 237,927	$ 12,624
Probate court	257,467	257,467	254,946	2,521
Juvenile court	225,195	225,195	228,588	(3,393)
Public defender	175,000	175,000	203,538	(28,538)
Total judicial	1,842,398	1,842,398	1,813,321	29,077
Public safety:				
Sheriff	1,532,170	1,590,170	1,654,555	(64,385)
Detention center	1,257,347	1,229,347	1,222,031	7,316
Resource officer	8,644	24,644	24,291	353
Probation center	32,046	32,046	37,004	(4,958)
Fire	420,474	390,474	321,423	69,051
Emergency medical services	1,651,795	1,733,795	1,733,687	108
Coroner	29,720	36,120	36,079	41
E-911	332,062	340,862	340,832	30
Animal control	212,644	218,344	218,257	87
Emergency management	120,320	111,520	98,087	13,433
Total public safety	5,597,222	5,707,322	5,686,246	21,076
Public works:				
Roads and bridges	1,537,064	1,664,064	1,663,207	857
Closure and postclosure care	22,000	22,000	14,675	7,325
Total public works	1,559,064	1,686,064	1,677,882	8,182
Health and welfare:				
Public heatlh	54,545	66,545	65,813	732
Welfare	48,538	36,538	29,223	7,315
Senior citizen center	112,492	112,492	218,934	(106,442)
Other direct assistance	27,554	27,554	27,554	-
Total health and welfare	243,129	243,129	341,524	(98,395)

(continued)

The accompanying notes are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Culture and recreation:				
Recreation	$ 475,955	$ 475,955	$ 561,124	$ (85,169)
Arts	76,791	81,391	81,345	46
Regional library	167,720	167,720	169,685	(1,965)
Total culture and recreation	720,466	725,066	812,154	(87,088)
Housing and development:				
County extension	23,743	23,743	16,216	7,527
Natural resources and conservation	9,000	9,000	10,848	(1,848)
Land development	296,126	296,126	229,435	66,691
Development Authority	359,804	134,104	129,433	4,671
Total housing and development	688,673	462,973	385,932	77,041
Debt service:	1,192,214	1,192,214	1,296,443	(104,229)
Total expenditures	14,680,521	14,680,521	14,590,936	89,585
Excess (deficiency) of revenues over (under) expenditures	-	-	406,186	406,186
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	67,678	67,678
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	67,678	67,678
Net change in fund balance	-	-	473,864	473,864
FUND BALANCE, beginning of year, restated	8,976,598	8,976,598	8,976,598	-
FUND BALANCE, end of year	$ 8,976,598	$ 8,976,598	$ 9,450,462	$ 473,864

(concluded)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2013

	Agency Funds
ASSETS	
Cash	$ 6,090,308
Restricted cash	250,866
Taxes receivable	2,929,978
Total assets	$ 9,271,152
LIABILITIES	
Due to others	$ 9,271,152
Total liabilities	$ 9,271,152

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, 2013. 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 Position 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 its 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.

The County's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Separate financial statements are provided for the County's governmental funds and its fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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, 2013, have been funded by loans from the General Fund, grant revenues and collections from the County's 2011 Special Purpose Local Option Sales Tax. Management anticipates future project financing through grants or other sources.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The Building Authority, a blended component unit and capital projects fund, had no activity during 2013 and no assets or liabilities at the beginning or end of the year. Accordingly, the fund is not presented in the accompanying financial statements. Recreation activities, previously reported by the Parks and Recreation Commission, a discretely presented component unit, are reported beginning in 2013 by the General Fund and the Primary Government. Recreation expenses in the General Fund were reimbursed with cash remaining in the Parks and Recreation account.

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 has had no operating activities since inception through 2013.

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 position 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. Net position restricted for capital projects reflect the restrictions of their use.

Governmental fund financial statements, on the other hand, 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. Expenditures are generally recorded in the accounting period in which a liability is incurred, as under accrual accounting. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Property taxes, sales taxes, franchise taxes, licenses, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. 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.

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. State of 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.; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association; 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.

Investments are reported at fair value as determined by quoted market prices. All highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

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, 2013, are recorded as prepaid items in both the government-wide and governmental fund financial statements. Prepaid items reported in the governmental funds are also equally offset by governmental 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 of governmental activities, which include land, buildings and improvements, machinery and 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. 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

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.

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 and is not paid upon separation of service.

J. Deferred Outflows / Inflows of Resources

In preparing the accompanying financial statements, the County has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities. These standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

revenue, is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from two sources: property taxes and ambulance billings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Fund Balance

Generally accepted accounting principles in GASB Statement No. 54 establish 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 which may be 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 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 (CONTINUED)

L. Net Position

Net position is based on the *economic resources measurement focus* and represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. The remaining portion of net position is reported as unrestricted.

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

M. 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.

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2013, expenditures did not exceed appropriations at the department level (the legal level of control), except as follows:

Fund/Department	Excess
General Fund:	
Juvenile Court	$ 3,393
Public Defender	28,538
Sheriff	64,385
Probation Center	4,958
Senior Citizen Center	106,442
Recreation	85,169
Regional Library	1,965
Natural Resources and Conservation	1,848
Debt Service	104,229

These excess expenditures were funded by proceeds from capital leasing and greater than anticipated revenues.

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. As explained in Note 1 above, State of Georgia statutes limit investments to U.S. Government obligations; agency obligations fully insured or guaranteed by the U.S. Government; obligations of the State of Georgia or other states; obligations of other political subdivisions of the State of Georgia; negotiable certificates of deposit; repurchase agreements when collateralized by the U.S. Government or agency obligations; and the local government investment pool established by 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, 2013, all financial institution deposits were fully insured or collateralized.

Investments at December 31, 2013, consist of certificates of deposit placed with an FDIC insured financial institution. The certificates bear interest at .1% and mature through January, 2015.

NOTE 4. RECEIVABLES

Receivables at December 31, 2013, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

Primary Government

Receivables:	General Fund	SPLOST/ Roads	Nonmajor Funds	Total
Property taxes	$ 1,099,257	$ -	$ -	$ 1,099,257
Accounts receivable	359,923	-	191,898	551,821
Due from other governments	623,657	392,290	42,961	1,058,908
	2,082,837	392,290	234,859	2,709,986
Less allowance for uncollectibles	(62,000)	-	-	(62,000)
Total receivables - net	$ 2,020,837	$ 392,290	$ 234,859	$ 2,647,986

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

Property taxes were levied on August 13, 2013, based on assessed values on January 1st and are due on December 20th of each year. Collections are made throughout the year. Property taxes are considered delinquent after January 20, 2014. At this time, penalties and interest are assessed, or the property is subject to a lien, as applicable. Liens may be attached to property for unpaid taxes at any time within three years after the due date.

At December 31, 2013, ambulance billings for emergency services of $187,851 were outstanding and included in General Fund accounts receivable. An allowance for uncollectible accounts of $62,000 has been provided for ambulance billings and charges not allowed by Medicare, Medicaid or other insurance contracts. This allowance is estimated by the County based on historical experience. Accounts receivable are written off when deemed uncollectible by the County or advised as such by third party payers.

Also included in General Fund accounts receivable are franchise taxes of $115,995 and various charges for services and user fees. Nonmajor Funds accounts receivable include E911 charges of $60,620 and lodging taxes of $121,188.

Property taxes and ambulance billings not collected within 60 days following year end are not considered available to liquidate liabilities of the current period and, accordingly, have been classified as unavailable and reported as deferred inflows of resources in the accompanying Governmental Funds Balance Sheet.

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, 2013, was as follows:

A. Primary Government

Governmental Activities:	Beginning Balance (Restated)	Increases	Decreases	Reclassifications	Ending Balance
Capital assets not depreciated:					
Land [2]	$ 2,170,899	$ 4,000	$ -	$ -	$ 2,174,899
Construction in progress [1]	802,437	413,067	-	(72,555)	1,142,949
Total capital assets not depreciated	2,973,336	417,067	-	(72,555)	3,317,848
Capital assets depreciated:					
Infrastructure	23,903,338	1,143,072	-	72,555	25,118,965
Buildings and improvements	19,934,859	-	-	-	19,934,859
Machinery and equipment	12,296,583	471,743	-	-	12,768,326
Total capital assets depreciated	56,134,780	1,614,815	-	72,555	57,822,150
Less accumulated depreciation for:					
Infrastructure	12,569,542	887,060	-	-	13,456,602
Buildings and improvements	4,115,947	422,692	-	-	4,538,639
Machinery and equipment	9,773,879	710,184	-	-	10,484,063
Total accumulated depreciation	26,459,368	2,019,936	-	-	28,479,304
Total capital assets depreciated, net	29,675,412	(405,121)	-	72,555	29,342,846
Governmental activities Capital assets, net	$ 32,648,748	$ 11,946	$ -	$ -	$ 32,660,694

(1) Construction in progress at December 31, 2012, (restated beginning balance above) has been increased over the prior year amount by $114,302 in order to recognize additional water system costs paid by the General Fund in prior years not previously included in construction in progress. See Note 17

At December 31, 2013, construction in progress includes water system costs paid by the General Fund on behalf of the Water/Capital Projects Fund in the amount of $851,190. These expenditures, primarily for professional fees in connection with water system design and engineering, are also reflected in the Governmental Funds Balance Sheet and in Note 9 as the amount due to the General Fund by the Water/Capital Projects Fund. The remaining construction in progress at December 31, 2013, includes construction costs of $291,759 which were funded with grant revenues. See Note 13

Reclassifications of $72,555 above represent costs incurred on Sun Valley Drive and a County helicopter pad. These projects were completed and put into service during 2013.

(2) Land costs at December 31, 2013, include $367,734 paid for various parcels purchased by the General Fund on behalf of the Water/Capital Projects Fund. The County intends to transfer ownership of these parcels to the Water Authority in order to recover these costs paid. See Note 13

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense during the year ended December 31, 2013, was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	$ 196,099
Judical	2,883
Public safety	609,044
Public works	1,062,052
Health and welfare	47,734
Culture and recreation	97,949
Housing and development	4,175
Total depreciation expense - Government activities	$ 2,019,936

B. Discretely Presented Component Unit – Development Authority

Development Authority:	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Capital assets not depreciated:					
Land	$ 579,612	$ -	$ -	$ -	$ 579,612
Construction in progress [3]	131,375	-	-	(131,375)	-
Total capital assets not depreciated	710,987	-	-	(131,375)	579,612
Capital assets depreciated:					
Land improvements	5,000	-	-	-	5,000
Buildings and improvements	1,201,880	-	-	131,375	1,333,255
Equipment	110,546	-	-	-	110,546
Total capital assets depreciated	1,317,426	-	-	131,375	1,448,801
Less accumulated depreciation for:					
Land improvements	5,000	-	-	-	5,000
Buildings and improvements	171,408	87,135	-	-	258,543
Equipment	93,572	1,952	-	-	95,524
Total accumulated depreciation	269,980	89,087	-	-	359,067
Total capital assets depreciated, net	1,047,446	(89,087)	-	131,375	1,089,734
Development Authority Capital assets, net	$ 1,758,433	$ (89,087)	$ -	$ -	$ 1,669,346

(3) Reclassifications above of $131,375 represent building renovations completed and put into service during 2013.

NOTE 5. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Department of Public Health

Department of Public Health:	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Capital assets depreciated:					
Office equipment	$ 8,791	$ -	$ -	$ -	$ 8,791
Leasehold improvements	6,580	-	-	-	6,580
Total capital assets depreciated	15,371	-	-	-	15,371
Less accumulated depreciation for:					
Office equipment	8,382	658	-	-	9,040
Leasehold improvements	5,053	-	-	-	5,053
Total accumulated depreciation	13,435	658	-	-	14,093
Total capital assets depreciated, net	1,936	(658)	-	-	1,278
Department of Public Health Capital assets, net	$ 1,936	$ (658)	$ -	$ -	$ 1,278

NOTE 6. RESTRICTED ASSETS

Restrictions on cash and cash equivalents at December 31, 2013, in the following funds are as follows:

Governmental activities:	Restricted Balance
SPLOST/Roads - for roads and bridges	$ 1,666,513
SPLOST/Capital Improvements - for capital projects	1,491,913
Water/Capital Projects - for water system projects	4,702
Nonmajor funds - for emergency services	292,320
Nonmajor funds - for purposes of grants received	64,508
Nonmajor funds - for sheriff and jail operations	77,499
Nonmajor funds - for juvenile services	50,269
Nonmajor funds - for technology	214,505
Nonmajor funds - for economic development	55,485
Nonmajor funds - for other purposes	15,204
Total restricted cash and cash equivalents	$ 3,932,918

NOTE 7. LONG-TERM DEBT

Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2013:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Installment Sale Agreement	$ 9,055,180	$ -	$ 912,913	$ 8,142,267	$ 935,162
Capital leases	443,165	67,678	153,219	357,624	157,806
Total	$ 9,498,345	$ 67,678	$ 1,066,132	$ 8,499,891	$ 1,092,968

Installment Sale Agreement - 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 outstanding Certificates of Participation and Revenue Bonds issued in 2001 in conjunction with the construction of a new Courthouse and Jail facilities and the purchase of land for a County park. The substance of the agreement provided for the sale and simultaneous repurchase of the County's Courthouse 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 Courthouse and Jail facilities to the ACCG.

Simultaneous with the exchange of funds, the County agreed to repurchase the Courthouse 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 included a Call Premium payment in the amount of $81,700. In 2012, the Call Premium was reported on the Statement of Net Position as an off-set to long term debt. However, in accordance with the newly released Statement No. 65 of the Governmental Accounting Standards Board, this Call Premium (deferred charge on refunding) is reported as a deferred outflow of resources in the accompanying Statement of Net Position and is being amortized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt, which is through 2021. Current year amortization of this Call Premium amounted to $14,997.

Debt Issuance Costs in the amount of $145,000 were also paid in connection with the transaction. In 2012, these costs were recorded as an asset in the Statement of Net Position, to be amortized over the life of the new debt. However, in accordance with the accounting treatment required under newly released Statement No. 65 of the Governmental Accounting Standards Board, these issuance costs have been recognized as a prior year expense by reducing beginning net position. See Note 17.

NOTE 7. LONG-TERM DEBT (CONTINUED)

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
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	1,028,657	95,745	1,124,402
2019-2021	3,234,564	130,060	3,364,624
Total	$ 8,142,267	$ 844,676	$ 8,986,943

Capital Leases – The County has entered into lease agreements for financing the acquisition of various public safety vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments. Lease interest rates vary from 1.6% to 4.9%. The net book value of vehicles financed under capital leases is $468,645 at December 31, 2013, and such amount is included under governmental activities in the accompanying government-wide financial statements.

Future debt service requirements under capital leases are as follows:

Calendar Year	Total
2014	$ 172,591
2015	118,192
2016	95,225
Total minimum lease payments	386,008
Less: amount representing interest	28,384
Present value of minimum lease payments	$ 357,624

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, 2013, no liability remains in accounts payable for post closure care costs.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Component Unit – Development Authority

The following is a summary of long-term debt activity for the year ended December 31, 2013:

Development Authority	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
OneGeorgia Authority Note Payable -					
Part 1	$ 131,355	$ 20	$ -	$ 131,375	$ -
Part 1 (active)	221,283	-	11,083	210,200	11,063
Part 2 (active)	142,683	-	5,656	137,027	5,834
Total	$ 495,321	$ 20	$ 16,739	$ 478,602	$ 16,897

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 begins amortization on 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 for repayment of Part 1 over a 20 year term at 0% interest.

Future debt service requirements under the active portion of Part 1 are as follows:

Calendar Year	Principal	Interest	Total
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	55,316	-	55,316
Total	$ 210,200	$ -	$ 210,200

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 schedule below reflects the amortization of Part 2 of the loan over a term of 20 years at 3.0% interest. This portion of the loan was also used for the renovation of space in the building which was completed and leased during 2011.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Future debt service requirements under Part 2 are as follows:

Calendar Year	Principal	Interest	Total
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	37,111	2,409	39,520
Total	$ 137,027	$ 40,813	$ 177,840

NOTE 8. FUND BALANCE

Fund balances of governmental funds presented in the accompanying Governmental Funds Balance Sheet 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.

At December 31, 2013, the details of fund balances are as follows:

General Fund - The General Fund has unassigned fund balance of $9,190,861 at December 31, 2013. Prepaid items in the amount of $262,748 are considered nonspendable fund balance.

Other Major Funds – At December 31, 2013, The SPLOST/Roads Fund has restricted fund balance of $1,032,994 to be used for road, street and bridge projects. The SPLOST/Capital Improvements Fund has a restricted fund balance of $1,524,470 to be used for construction of capital projects. The Water/Capital Projects Fund has an unassigned fund deficit of ($811,902) resulting from water project expenditures financed by borrowings from the General Fund.

NOTE 8. FUND BALANCE (CONTINUED)

Other Nonmajor 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	$ 13,201
Confiscated Assets	public safety purposes (except salaries of law enforcement personnel)	1,207
Multiple Grant	purposes specified by grantors of monies received from various Federal and State agencies	48,554
Crime Victims Assistance	benefit victims of crime and their families	1,513
Drug	drug abuse treatment and education	22,155
Juvenile	operations, staffing and juvenile related programs	49,244
Excise Tax Lodging	tourism promotion within the County	2,003
Clerks Technology	technology upgrades in Clerk's Office	214,505
Revolving Loan	economic development within the County	118,549
Donations/Special Projects	construction of capital projects	3,104
Emergency 911	operating and personnel costs of emergency services	250,974
		$ 725,009

Additional nonmajor, special revenue fund balances at December 31, 2013, include the Jail Fund with a deficit of ($4,009), 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, 2013, is as follows:

Receivable Fund	Payable Fund	Amounts
General Fund	Water/Capital Projects	$ 851,190
General Fund	SPLOST/Roads	330,244
General Fund	Nonmajor Funds	182,856
SPLOST/Capital Improvements	SPLOST/Roads	32,557
Water/Capital Projects	SPLOST/Roads	34,586
		$ 1,431,433

Interfund balances result 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, 2013, is as follows:

Transfers In	Transfers Out	Amounts
SPLOST/Capital Improvements	SPLOST/Roads	$ 726,067
Water/Capital Projects	SPLOST/Roads	34,586
		$ 760,653

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

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description – Primary Government

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

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.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Participant counts as of January 1, 2013, the most recent actuarial valuation date, and covered compensation are shown below:

Membership and Covered Compensation	
Retirees, beneficiaries and disabled currently receiving benefits	46
Terminated Plan participants entitled to, but not yet receiving benefits:	75
Active employees participating in the Plan	145
Total number of Plan participants	266
Covered compensation for active participants	$ 5,136,614

Funding Policy – The County is required to contribute an actuarially determined amount annually to the Plan's trust. The recommended contribution of $718,132 for 2013 was 14.0% 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, 2013, were determined as follows:

Derivation of Annual Pension Cost / Net Pension Asset	2013
Annual required contibution	$ 718,132
Interest on net pension asset	(14,897)
Amortization of net pension asset	15,939
Annual pension cost for the year	719,174
Actual contributions to the Plan for the year	718,132
Decrease in net pension asset	1,042
Net pension asset as of January 1, 2013	192,214
Net pension asset as of December 31, 2013	$ 191,172

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, 2013.

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Basis of Valuation

Current valuation date	January 1, 2013
Actuarial assumptions:	
Assumed rate of return on assets	7.75%
Expected annual salary increases	5.0% to 7.5% based on age
Expected annual inflation	3.00%
Actuarial cost method	Projected Unit Credit
Asset valuation method	Smoothed Market Value
Amortization method	Level Percent of Pay (Closed)
Remaining amortization period (estimated for all unfunded liabilities combined into one)	10

Trend Information for the Plan

Year Ending	Annual Pension Cost(APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Asset
12/31/2013	$ 719,174	$ 718,132	99.9%	$ 191,172
12/31/2012	736,120	735,072	99.9%	192,214
12/31/2011	723,121	722,067	99.9%	193,262

Funding Status of the Plan

Measure-ment 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)
12/31/2013	$ 7,713,200	$ 9,303,095	$ 1,589,895	82.9%	$ 5,136,614	31.0%

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, 2013, employees contributed $30,667 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, 2013.

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 Georgia Department of Community Affairs awarded the County a Community Development Block Grant (CDBG) in the amount of $500,000 for initial costs in the development and construction of the County's future water system. This grant requires County matching expenditures of $166,135. As of December 31, 2013, the County had received $296,000 of the CDBG grant. The County expects to receive the remaining grant funds in 2014.

In addition to the above grant, 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, engineering and construction are currently in progress and are 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. Construction costs incurred to date by the Water/Capital Projects Fund include costs of $851,190 which have been paid out of cash reserves in the County's General Fund. The remaining costs of construction through December 31, 2013, have been financed with collections from the CDBG grant discussed above.

Additional expenditures by the General Fund through 2013 of $367,734 have been for the purchase of three parcels of land necessary for the water system project. The County intends to transfer ownership of these parcels to the Water Authority and recover these costs once the construction phase is completed. During 2012 the Water/Capital Projects Fund also purchased an additional parcel of land for $40,000 with monies transferred from the SPLOST/Capital Improvements Fund.

Management anticipates obtaining future 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, 2013, the county spent $756,723 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. 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. During the year ended December 31, 2013, the County paid membership dues in the amount of $10,438.

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

Certain adjustments recorded during 2013 affect a prior period and, accordingly, are recognized in the accompanying financial statements by increasing or decreasing fund balance or net position as previously reported at December 31, 2012 These adjustments are described as follows:

- Certain PILT revenues collected during 2013 and recorded as 2013 revenues were subsequently determined to be revenues of 2012. Beginning fund balance and net position of the Primary Government have been increased to recognize this determination.

- Additional costs incurred in connection with the County's water system project and expensed by the General Fund in prior years, were identified during 2013 as costs which should be recorded as construction in progress and reimbursed by the Water/Capital Projects Fund. Beginning fund balances have been adjusted and net position of the Primary Government has been increased to reflect these changes.

- Certain ambulance billings outstanding at December 31, 2012, were not collected within 60 days of year end and, accordingly, were not available to liquidate liabilities of 2012. Beginning fund balance has been reduced for the effect of these unavailable revenues at the end of 2012.

- In accordance with newly issued GASB Statement No. 65 which became effective for 2013, debt issuance costs should be recognized as an expense in the period incurred. Accordingly, such costs paid by the County in connection with its 2012 Installment Sale Agreement, and capitalized under prior accounting principles, are reflected as an expense by decreasing beginning net position of the Primary Government.

NOTE 17. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

- During 2011 and 2012 the Development Authority, a component unit of the County, used cash in the Revolving Loan Fund to finance certain costs in connection with a County economic development project. The costs incurred were expensed by the Revolving Loan Fund when paid. However, in 2013 these costs have been re-characterized as advances that will be repaid by the Development Authority. As a result of this change, beginning fund balance has been increased and net position of the Primary Government and Development Authority have been adjusted.

Each of the above prior period adjustments is summarized in the following table:

	Governmental Funds - Fund Balance			Government Wide - Net Position	
	General Fund	Water/Capital Projects Fund	Revolving Loan Fund	Primary Government	Component Unit - Development Authority
December 31, 2012, as previously reported	$ 8,801,673	$ (615,079)	$ 66,420	$ 35,425,147	$ 1,324,481
Prior period adjustments:					
PILT revenues unrecorded	183,144			183,144	
Construction costs reimbursed	110,302	(110,302)			
Construction costs capitalized				114,302	
Ambulance billings unavailable	(118,521)				
Debt issuance costs expensed				(132,917)	
Revolving Loan Fund reimbursed			52,974	52,974	(52,974)
December 31, 2012, as restated	$ 8,976,598	$ (725,381)	$ 119,394	$ 35,642,650	$ 1,271,507

REQUIRED SUPPLEMENTARY INFORMATION

FANNIN COUNTY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE FANNIN COUNTY RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013

The schedule below sets forth required supplementary information to be disclosed in the Schedule of Funding Progress for the County. The information presented is based on the actuarial valuation date.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	$ 7,713,200	$ 9,303,095	$ 1,589,895	82.9%	$ 5,136,614	31.0%
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%

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 plan provisions valued and the actuarial assumptions and cost methods used are the same as those used in the preceding valuation.

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 plan provisions valued and the actuarial assumptions and cost methods used 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.

The actuarial assumptions used are disclosed in the notes to the financial statements.

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, 2013

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
ASSETS							
Cash and cash equivalents	$ 13,201	$ 1,207	$ 64,508	$ 14,099	$ 20,682	$ 41,511	$ 50,269
Accounts receivable	-	-	-	-	-	-	-
Due from other governments	-	-	39,755	1,244	1,862	100	-
Due from other funds	-	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	$ 13,201	$ 1,207	$ 104,263	$ 15,343	$ 22,544	$ 41,611	$ 50,269
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ -	$ -	$ 12,531	$ -	$ 389	$ -	$ -
Due to other governments	-	-	14,865	13,830	-	-	1,025
Due to other funds	-	-	660	-	-	45,620	-
Due to component unit	-	-	27,153	-	-	-	-
Unearned revenue	-	-	500	-	-	-	-
Total liabilities	-	-	55,709	13,830	389	45,620	1,025
Fund Balances (Deficit):							
Nonspendable	-	-	-	-	-	-	-
Restricted	13,201	1,207	48,554	1,513	22,155	-	49,244
Unassigned	-	-	-	-	-	(4,009)	-
Total fund balances (deficit)	13,201	1,207	48,554	1,513	22,155	(4,009)	49,244
Total liabilities and fund balances (deficit)	$ 13,201	$ 1,207	$ 104,263	$ 15,343	$ 22,544	$ 41,611	$ 50,269

Continued

FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue					
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	Emergency 911	Total
ASSETS						
Cash and cash equivalents	$ 2,003	$ 214,505	$ 55,485	$ 8,173	$ 292,320	$ 777,963
Accounts receivable	121,188	-	10,090	-	60,620	191,898
Due from other governments	-	-	-	-	-	42,961
Due from other funds	-	-	-	-	-	-
Due from component unit	-	-	52,974	-	-	52,974
Prepaid items	-	-	-	-	5,000	5,000
Total assets	$ 123,191	$ 214,505	$ 118,549	$ 8,173	$ 357,940	$ 1,070,796
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 84,612	$ -	$ -	$ 960	$ 1,966	$ 100,458
Due to other governments	-	-	-	4,109	-	33,829
Due to other funds	36,576	-	-	-	100,000	182,856
Due to component unit	-	-	-	-	-	27,153
Unearned revenue	-	-	-	-	-	500
Total liabilities	121,188	-	-	5,069	101,966	344,796
Fund Balances (Deficit):						
Nonspendable	-	-	-	-	5,000	5,000
Restricted	2,003	214,505	118,549	3,104	250,974	725,009
Unassigned	-	-	-	-	-	(4,009)
Total fund balances (deficit)	2,003	214,505	118,549	3,104	255,974	726,000
Total liabilities and fund balances (deficit)	$ 123,191	$ 214,505	$ 118,549	$ 8,173	$ 357,940	$ 1,070,796

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
REVENUES							
Other taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	102,781	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	12,338	7,383	-	13,830	19,009	19,066	3,163
Investment income	8	6	150	22	30	79	98
Contributions and donations	-	-	-	-	-	-	-
Total revenues	12,346	7,389	102,931	13,852	19,039	19,145	3,261
EXPENDITURES							
Current:							
Judicial	10,045	-	-	-	-	-	3,009
Public safety	-	12,228	57,424	14,684	14,962	10,806	-
Health and welfare	-	-	45,000	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-	-
Capital outlay:							
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Total expenditures	10,045	12,228	102,424	14,684	14,962	10,806	3,009
Excess (deficiency) of revenues over (under) expenditures	2,301	(4,839)	507	(832)	4,077	8,339	252
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	2,301	(4,839)	507	(832)	4,077	8,339	252
FUND BALANCES (deficit), beginning of year, restated	10,900	6,046	48,047	2,345	18,078	(12,348)	48,992
FUND BALANCES (deficit), end of year	$ 13,201	$ 1,207	$ 48,554	$ 1,513	$ 22,155	$ (4,009)	$ 49,244

Continued

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue					
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	Emergency 911	Total
REVENUES						
Other taxes	$ 756,740	$ -	$ -	$ -	$ -	$ 756,740
Intergovernmental	-	29,357	-	-	-	132,138
Charges for services	-	-	-	-	381,809	381,809
Fines and forfeitures	-	-	-	-	-	74,789
Investment income	55	114	816	7	517	1,902
Contributions and donations	-	-	-	12,220	-	12,220
Total revenues	756,795	29,471	816	12,227	382,326	1,359,598
EXPENDITURES						
Current:						
Judicial	-	-	-	-	-	13,054
Public safety	-	-	-	5,000	343,045	458,149
Health and welfare	-	-	-	-	-	45,000
Culture and recreation	-	-	-	6,642	-	6,642
Housing and development	756,723	-	1,661	-	-	758,384
Capital outlay:						
Judicial	-	4,645	-	-	-	4,645
Public safety	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total expenditures	756,723	4,645	1,661	11,642	343,045	1,285,874
Excess (deficiency) of revenues over (under) expenditures	72	24,826	(845)	585	39,281	73,724
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	72	24,826	(845)	585	39,281	73,724
FUND BALANCES (deficit), beginning of year, restated	1,931	189,679	119,394	2,519	216,693	652,276
FUND BALANCES (deficit), end of year	$ 2,003	$ 214,505	$ 118,549	$ 3,104	$ 255,974	$ 726,000

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2013

	Clerk of Superior Court	Judge of Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total Agency Funds
ASSETS						
Cash	$ 52,046	$ 4,329	$ 9,304	$ -	$ 6,024,629	$ 6,090,308
Restricted cash	109,044	8,379	3,722	13,646	116,075	250,866
Taxes receivable	-	-	-	-	2,929,978	2,929,978
Total Assets	$ 161,090	$ 12,708	$ 13,026	$ 13,646	$ 9,070,682	$ 9,271,152
LIABILITIES						
Due to others	$ 161,090	$ 12,708	$ 13,026	$ 13,646	$ 9,070,682	$ 9,271,152
Total Liabilities	$ 161,090	$ 12,708	$ 13,026	$ 13,646	$ 9,070,682	$ 9,271,152

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, 2013, 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 23, 2014.

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:

Fannin County Development Authority (a component unit of Fannin County, Georgia)
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 that segregation of duties could be improved within the office of the Fannin County Development Authority (a component unit of Fannin County, Georgia). 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 exist. We noted that the employee who receives cash is also the employee who records cash in the accounting records and prepares bank reconciliations. Additionally, this same employee prepares disbursement checks, is an authorized check signer and is also the employee who mails the checks after signature.

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: The Fannin County Development Authority has one employee. Without a sufficient number of employees, segregation of duties is difficult to achieve.

Recommendation: We recommend that management continually evaluate employee 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 organization assets.

Response: Due to the limited number of employees in the office of the Fannin County Development Authority, it is difficult to accomplish complete segregation of duties. Nevertheless, management 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.

R L Jennings + Associates, PC

Ellijay, Georgia
April 23, 2014

STATE SECTION

FANNIN COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER, 31 2013

	Original Estimated Cost	Current Estimated Cost	EXPENDITURES			Estimated % of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax						
2011 Projects:	$ 25,000,000	$ 25,000,000	$ 2,670,639	$ 4,654,468	$ 7,325,107	
Roads and Bridges Improvements	$ 17,025,000	$ 17,025,000	$ 1,920,140	$ 4,062,424	$ 5,982,564	35%
Capital Improvements:						
Water	$ 2,500,000	$ 2,500,000	40,000	34,586	74,586	3%
Capital Outlay	$ 2,500,000	$ 2,500,000	151,610	104,870	256,480	10%
Contractual Payments:						
City of Blue Ridge	$ 1,575,000	$ 1,575,000	295,882	239,605	535,487	
City of McCaysville	$ 1,400,000	$ 1,400,000	263,007	212,983	475,990	
Total 2011 Projects			$ 2,670,639	$ 4,654,468	$ 7,325,107	

The above schedule has been prepared using modified accrual accounting.

Expenditures reported above for water capital improvements, represent amounts paid by the Water/Capital Projects Fund to the extent they were financed by transfers from the SPLOST/Roads Fund.

FANNIN COUNTY, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER, 31 2013

State Program Name	Contract Number	Current Year		Amount Due from (to) State
		Received	Expended	
Family Connections	93-131300054	$ 22,500	$ 22,500	$ -
Family Connections	93-141400053	22,500	22,500	11,250

The above schedule has been prepared using modified accrual accounting.

FEDERAL COMPLIANCE SECTION

Fannin County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
Other Programs			
Department of Homeland Security Direct Programs			
Homeland Security Grant Program	97.067		$ 10,600
Total Department of Homeland Security			10,600
Department of Homeland Security Direct Programs			
Emergency Management Performance Grants	97.042		11,275
Total Department of Homeland Security			11,275
United States Department of Justice Direct Programs			
State Criminal Alien Assistance Program	16.606		2,130
Total United States Department of Justice			2,130
United States Department of Justice Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		35,670
Total United States Department of Justice			35,670
Department of Transportation Direct Programs			
Formula Grants for Rural Areas	20.509		107,776
Total Department of Transportation			107,776
Department of Transportation Direct Programs			
State and Community Highway Safety	20.600		346,529
Total Department of Transportation			346,529
Department of Housing and Urban Development Direct Programs			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228		291,759
Total Department of Housing and Urban Development			291,759
Total Other Programs			805,739
Total Expenditures of Federal Awards			$ 805,739

The above schedule has been prepared using modified accrual accounting.

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

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

Report on Compliance for Each Major Federal Program

We have audited Fannin County, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Fannin County, Georgia's major federal programs for the year ended December 31, 2013. Fannin County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each of the Major Federal Programs

In our opinion, Fannin County, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control over Compliance

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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

R L Jennings + Associates, PC

Ellijay, Georgia
April 23, 2014

Fannin County, Georgia
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified?	____	Yes	X	No
Reportable condition(s) identified not considered to be material weaknesses?	____	Yes	X	No
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	____	Yes	X	No
Reportable condition(s) identified not considered to be material weaknesses?	____	Yes	X	No

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii
20.600	State and Community Highway Safety

Dollar threshold used to distinguish between Type A and Type B $ 300,000

Auditee qualified as low-risk auditee? ___ Yes X ___ No

Section II—Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.