FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

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FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2014

TABLE OF CONTENTS

Page

FINANCIAL SECTION

Independent Auditor's Report 1

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position 4

Statement of Activities 5

Fund Financial Statements:

Balance Sheet – Governmental Funds 6

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position 7

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 8

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities 9

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 10

Statement of Fiduciary Assets and Liabilities – Agency Funds 13

Notes to the Financial Statements 14

Required Supplementary Information:

Schedule of Funding Progress for the Fannin County Retirement Plan 37

Other Supplementary Information:

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet -- Nonmajor Governmental Funds 39

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 41

Combining Statement of Fiduciary Assets and Liabilities – Agency Funds 43

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 44

Schedule of Findings and Responses 46

STATE SECTION

Schedule of Projects Constructed with Special Purpose Local Option Sales Tax 50

Schedule of State Contractual Assistance 51

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Fannin County Department of Public Health, which represents 9.3% and 84.6%, 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, 2014, and the respective changes in financial position thereof, and the budgetary comparisons for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. The Schedule of Funding Progress for the Fannin County Retirement Plan is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fannin County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is also not a required part of the basic financial statements. The accompanying Schedule of State Contractual Assistance is presented for purposes of additional analysis as required by the Georgia Department of Human Resources, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax and the Schedule of State Contractual Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax and the Schedule of State Contractual Assistance are 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 May 28, 2015, 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
May 28, 2015

BASIC FINANCIAL STATEMENTS

FANNIN COUNTY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government	Component Units	
	Governmental Activities	Department of Public Health	Development Authority
ASSETS			
Cash	$ 8,286,997	$ 187,032	$ 111,898
Investments	519,728	-	-
Property taxes receivable	1,131,489	-	-
Accounts receivable, net	434,691	22,061	409,913
Due from other governments	1,144,290	4,014	-
Due from primary government	-	-	33,902
Due from component unit	47,974	-	-
Inventories	-	630	-
Prepaid items	279,284	-	-
Restricted cash	3,656,987	-	-
Restricted investments	7,521	-	-
Capital assets, not being depreciated	3,345,897	-	579,612
Capital assets, net of accumulated depreciation	28,892,227	5,262	1,002,147
Net pension asset	234,800	-	-
Total assets	47,981,885	218,999	2,137,472
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	41,435	-	-
Total deferred outflows of resources	41,435	-	-
LIABILITIES			
Accounts payable	199,403	-	409,913
Accrued liabilities	108,618	-	3,000
Due to other governments	569,495	-	-
Due to primary government	-	-	47,974
Due to component unit	33,902	-	-
Unearned revenue	444,610	-	-
Accrued interest	51,745	-	-
Long-term liabilities:			
Due within one year	1,158,643	-	12,822
Due in more than one year	6,519,937	45,294	444,632
Total liabilities	9,086,353	45,294	918,341
NET POSITION			
Net investment in capital assets	24,600,979	5,262	1,581,759
Restricted for:			
Capital projects	2,537,753	-	-
Other purposes	780,129	9,130	-
Unrestricted	11,018,106	159,313	(362,628)
Total net position	$ 38,936,967	$ 173,705	$ 1,219,131

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

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: Development Authority
Primary government:							
Governmental activities:							
General government	$ 3,330,806	$ 11,175	$ -	$ -	$ (3,319,631)		
Judicial	1,877,950	363,912	88,460	-	(1,425,578)		
Public safety	6,880,666	1,374,085	155,058	-	(5,351,523)		
Public works	4,577,054	25,000	-	734,120	(3,817,934)		
Health and welfare	457,758	52,882	152,387	-	(252,489)		
Culture and recreation	1,071,364	137,803	-	3,000	(930,561)		
Housing and development	1,218,109	174,918	-	-	(1,043,191)		
Interest on long-term liabilities	206,288	-	-	-	(206,288)		
Total governmental activities	$ 19,619,995	$ 2,139,775	$ 395,905	$ 737,120	(16,347,195)		
Component units:							
Department of Public Health	$ 542,870	$ 243,821	$ 245,046	$ -		$ (54,003)	$ -
Development Authority	147,718	98,244	5,000	-		-	(44,474)
Total component units	$ 690,588	$ 342,065	$ 250,046	$ -		(54,003)	(44,474)
General Revenues:							
Property taxes					8,845,217	-	-
Franchise taxes					95,000	-	-
Sales taxes					7,485,394	-	-
Other taxes					2,271,828	-	-
Unrestricted investment earnings					11,804	-	404
Gain on sale of capital assets					39,209	-	-
Miscellaneous revenues					12,005	80,756	-
Total general revenues					18,760,457	80,756	404
Change in net position before contributions of capital					2,413,262	26,753	(44,070)
Contributions of capital					(437,588)	-	-
Change in net position					1,975,674	26,753	(44,070)
Net position, beginning of year					36,961,293	146,952	1,263,201
Net position, end of year					$ 38,936,967	$ 173,705	$ 1,219,131

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	SPLOST/ Roads	SPLOST/ Capital Improvements	Water/ Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 8,271,412	$ 1,371,108	$ 1,154,938	$ 386,048	$ 760,478	$ 11,943,984
Investments	519,728	-	-	-	7,521	527,249
Property taxes receivable	1,131,489	-	-	-	-	1,131,489
Accounts receivable, net	254,872	-	-	-	179,819	434,691
Due from other governments	704,784	422,343	-	-	17,163	1,144,290
Due from other funds	408,150	239,354	12,739	79,346	-	739,589
Due from component unit	-	-	-	-	47,974	47,974
Prepaid items	274,284	-	-	-	5,000	279,284
Total assets	$ 11,564,719	$ 2,032,805	$ 1,167,677	$ 465,394	$ 1,017,955	$ 16,248,550
LIABILITIES						
Accounts payable	$ 59,886	$ 34,282	$ -	$ -	$ 105,235	$ 199,403
Accrued liabilities	108,618	-	-	-	-	108,618
Due to other governments	45,834	91,752	-	400,000	31,909	569,495
Due to other funds	239,354	92,085	-	318,924	89,226	739,589
Due to component unit	6,749	-	-	-	27,153	33,902
Unearned revenue	-	444,610	-	-	-	444,610
Total liabilities	460,441	662,729	-	718,924	253,523	2,095,617
DEFERRED INFLOWS OF RESOURCES						
Unavailable property taxes	526,719	-	-	-	-	526,719
Unavailable ambulance revenues	73,305	-	-	-	-	73,305
Total deferred inflows of resources	600,024	-	-	-	-	600,024
FUND BALANCES (DEFICIT)						
Nonspendable	274,284	-	-	-	5,000	279,284
Restricted	-	1,370,076	1,167,677	-	780,129	3,317,882
Unassigned	10,229,970	-	-	(253,530)	(20,697)	9,955,743
Total fund balances (deficit)	10,504,254	1,370,076	1,167,677	(253,530)	764,432	13,552,909
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 11,564,719	$ 2,032,805	$ 1,167,677	$ 465,394	$ 1,017,955	$ 16,248,550

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, 2014

Total fund balances - governmental funds	$ 13,552,909
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.	32,238,124
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	600,024
Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds.	(7,730,325)
Deferred charge on refunding is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	41,435
Net pension asset is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	234,800
Total net position - governmental activities	$ 38,936,967

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, 2014

	General Fund	SPLOST/ Roads	SPLOST/ Capital Improvements	Water/ Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	$ 7,574,113	$ -	$ -	$ -	$ -	$ 7,574,113
Franchise taxes	95,000	-	-	-	-	95,000
Sales taxes	3,227,187	4,258,207	-	-	-	7,485,394
Other taxes	1,424,773	-	-	-	847,055	2,271,828
Licenses and permits	177,863	-	-	-	-	177,863
Intergovernmental	1,554,883	464,469	-	203,500	158,065	2,380,917
Charges for services	943,912	-	-	-	378,477	1,322,389
Fines and forfeitures	478,150	-	-	-	94,405	572,555
Investment income	10,130	2,589	1,977	5,405	1,674	21,775
Contributions and donations	100	-	-	-	2,378	2,478
Other	103,625	25,000	-	-	-	128,625
Total revenues	15,589,736	4,750,265	1,977	208,905	1,482,054	22,032,937
EXPENDITURES						
Current:						
General government	2,570,215	-	-	-	-	2,570,215
Judicial	1,877,800	-	-	-	10,268	1,888,068
Public safety	5,741,849	-	-	-	522,257	6,264,106
Public works	1,602,738	-	-	2,648	-	1,605,386
Health and welfare	364,196	-	-	-	45,000	409,196
Culture and recreation	961,689	-	-	-	2,029	963,718
Housing and development	367,240	-	-	-	846,768	1,214,008
Intergovernmental	-	506,503	-	-	-	506,503
Capital outlay:						
General government	1,724	-	-	-	-	1,724
Judicial	-	-	-	-	-	-
Public safety	399,483	-	-	-	14,300	413,783
Public works	34,500	3,055,414	-	451,333	-	3,541,247
Culture and recreation	-	-	9,000	-	3,000	12,000
Debt service:						
Principal	1,092,968	-	-	-	-	1,092,968
Interest	203,774	-	-	-	-	203,774
Total expenditures	15,218,176	3,561,917	9,000	453,981	1,443,622	20,686,696
Excess (deficiency) of revenues over (under) expenditures	371,560	1,188,348	(7,023)	(245,076)	38,432	1,346,241
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	425,633	1,201,036	-	1,626,669
Transfers out	-	(851,266)	(775,403)	-	-	(1,626,669)
Issuance of capital lease	271,657	-	-	-	-	271,657
Sale of capital assets	410,575	-	-	-	-	410,575
Intergovernmental contributions of capital	-	-	-	(397,588)	-	(397,588)
Total other financing sources (uses)	682,232	(851,266)	(349,770)	803,448	-	284,644
Net change in fund balances	1,053,792	337,082	(356,793)	558,372	38,432	1,630,885
FUND BALANCES (deficit), beginning of year	9,450,462	1,032,994	1,524,470	(811,902)	726,000	11,922,024
FUND BALANCES (deficit), end of year	$ 10,504,254	$ 1,370,076	$ 1,167,677	$ (253,530)	$ 764,432	$ 13,552,909

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, 2014

Net change in fund balances - governmental funds	$ 1,630,885
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.	(67,384)
Donated roads do not provide current financial resources and, accordingly, are not recognized as revenues by the governmental funds.	56,180
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.	(271,657)
Proceeds from the sale of capital assets during the year provide current financial resources for governmental funds. However, these proceeds are offset by the the basis of assets sold in order to recognize the economic gain or loss in the Statement of Activities.	(371,366)
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.	157,806
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.	935,162
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.	(13,180)
The increase in net pension asset does not provide current financial resources and is not reported in governmental funds.	43,628
Certain property tax and ambulance revenues recognized and reported in the Statement of Activities will not provide current financial resources until 2015 when collected. Accordingly, they are reported as deferred revenues in the governmental funds' Balance Sheet.	(95,066)
Certain interest expense accrued and reported in the 2013 Statement of Activities did not require the use of current financial resources until 2014 and, therefore, are reported as expenditures in governmental funds during 2014.	10,666
A parcel of land contributed during the year to the Fannin County Water Authority was not recognized by the governmental funds because the contribution did not consume current financial resources.	(40,000)
Change in net position - governmental activities	$ 1,975,674

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, 2014

	Budget			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Property taxes	$ 8,914,757	$ 8,914,757	$ 7,574,113	$ (1,340,644)
Franchise taxes	90,000	90,000	95,000	5,000
Sales taxes	2,200,000	2,200,000	3,227,187	1,027,187
Other taxes	1,173,500	1,173,500	1,424,773	251,273
Licenses and permits	104,700	104,700	177,863	73,163
Intergovernmental	1,262,275	1,262,275	1,554,883	292,608
Charges for services	939,600	939,600	943,912	4,312
Fines and forfeitures	553,000	553,000	478,150	(74,850)
Investment income	10,000	10,000	10,130	130
Contributions and donations	-	-	100	100
Other	214,500	214,500	103,625	(110,875)
Total revenues	15,462,332	15,462,332	15,589,736	127,404
EXPENDITURES				
Current:				
General government:				
Legislative	744,469	742,769	693,776	48,993
Elections	251,360	161,360	158,126	3,234
Purchasing	18,000	18,000	13,593	4,407
Tax commissioner	404,422	371,922	351,773	20,149
Tax assessor	768,631	768,631	696,061	72,570
Building and grounds	727,886	648,886	637,477	11,409
General administration	20,000	21,500	21,133	367
Total general government	2,934,768	2,733,068	2,571,939	161,129
Judicial:				
Superior court	263,122	230,622	228,241	2,381
Clerk of Superior court	539,251	539,251	514,194	25,057
District attorney	238,050	206,050	198,958	7,092
Drug task force	45,000	45,000	40,229	4,771

(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, 2014

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Judicial (continued):				
Magistrate court	$ 256,678	$ 256,678	$ 232,631	$ 24,047
Probate court	252,214	252,214	246,309	5,905
Juvenile court	228,801	228,801	203,462	25,339
Public defender	175,000	215,000	213,776	1,224
Total judicial	1,998,116	1,973,616	1,877,800	95,816
Public safety:				
Sheriff	1,626,436	1,898,093	1,858,700	39,393
Detention center	1,285,078	1,242,578	1,238,759	3,819
Resource officer	96,865	99,365	99,033	332
Probation center	32,046	32,046	29,067	2,979
Fire	461,842	461,842	344,986	116,856
Emergency medical services	1,848,381	1,868,381	1,867,892	489
Coroner	45,754	45,754	40,570	5,184
E-911	375,485	375,485	357,116	18,369
Animal control	214,972	214,972	183,621	31,351
Emergency management	125,551	125,551	121,588	3,963
Total public safety	6,112,410	6,364,067	6,141,332	222,735
Public works:				
Roads and bridges	1,330,184	1,622,184	1,621,168	1,016
Closure and postclosure care	22,000	17,000	16,070	930
Total public works	1,352,184	1,639,184	1,637,238	1,946
Health and welfare:				
Public heatlh	54,545	63,545	63,217	328
Welfare	50,658	46,658	45,902	756
Senior citizen center	112,492	228,492	227,523	969
Other direct assistance	27,554	27,554	27,554	-
Total health and welfare	245,249	366,249	364,196	2,053

(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, 2014

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Current (continued):				
Culture and recreation:				
Recreation	$ 626,292	$ 691,292	$ 690,612	$ 680
Arts	89,364	89,364	83,211	6,153
Regional library	167,720	187,920	187,866	54
Total culture and recreation	883,376	968,576	961,689	6,887
Housing and development:				
County extension	23,493	23,493	19,901	3,592
Natural resources and conservation	9,000	9,000	7,891	1,109
Land development	298,626	272,626	237,658	34,968
Development Authority	366,896	106,896	101,790	5,106
Total housing and development	698,015	412,015	367,240	44,775
Debt service:	1,238,214	1,297,214	1,296,742	472
Total expenditures	15,462,332	15,753,989	15,218,176	535,813
Excess (deficiency) of revenues over (under) expenditures	-	(291,657)	371,560	663,217
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Issuance of capital lease	-	271,657	271,657	-
Sale of capital assets	-	-	410,575	410,575
Total other financing sources (uses)	-	271,657	682,232	410,575
Net change in fund balance	-	(20,000)	1,053,792	1,073,792
FUND BALANCE, beginning of year	9,450,462	9,450,462	9,450,462	-
FUND BALANCE, end of year	$ 9,450,462	$ 9,430,462	$ 10,504,254	$ 1,073,792

(concluded)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2014

	Agency Funds
ASSETS	
Cash	$ 4,047,069
Restricted cash	287,298
Taxes receivable	3,102,474
Total assets	$ 7,436,841
LIABILITIES	
Due to others	$ 7,436,841
Total liabilities	$ 7,436,841

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 governmental 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 and is governed by a chairman and two post commissioners, elected at large. The accompanying financial statements of the reporting entity include those of Fannin County, Georgia (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. 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.

Blended component unit: The Fannin County Building Authority (the "Building Authority") is 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.

Discretely presented component units: 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 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, 2014. 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 Parks and Recreation Commission (the "Parks and Recreation Commission") operates under the direction of a seven member board. All members are appointed by the County. Through 2012, the Parks and Recreation Commission was responsible for the management and maintenance of parks and recreation facilities for the benefit of Fannin County citizens. In 2013, this responsibility was assumed by the County and the bank account of the Parks and Recreation Commission was closed.

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.

Recreation activities, previously reported by the Parks and Recreation Commission as a discrete component unit, are reported in 2013 and thereafter by the General Fund and the Primary Government. Accordingly, the Parks and Recreation Commission is not presented as a component unit in the accompanying government-wide financial statements.

The Building Authority, a blended component unit and capital projects fund, had no activity during 2014 and no assets or liabilities at the beginning or end of the year. Accordingly, the fund is not presented in the accompanying financial statements.

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. The County's funds are grouped into two broad fund categories and four generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital project funds. Fiduciary funds include agency funds.

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. Governmental and fiduciary fund financial statements report detailed information about the County. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 capital projects.

The Water/Capital Projects Fund accounts for financial resources provided from the Special Purpose Local Option Sales Tax where such resources are to be used for water projects. Expenditures incurred to date are for the development and construction of the County's future water system.

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.

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 position 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 generally are recorded in the accounting period in which a fund 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, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availablility period for this revenue source (within 60 days of year end). 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, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Cash and Investments

Amounts reported as cash by the County in the accompanying financial statements include cash on hand and on deposit with financial institutions.

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 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, if any, 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 and are not eliminated. The County had no quasi-external transactions during the year.

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 future accounting periods are recorded as prepaid items in both government-wide and governmental fund financial statements. Prepaid items reported by governmental funds are also equally offset by fund balance classified as nonspendable, which indicates they do not constitute "available, spendable financial resources" even though they are a component of net current assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Capital assets of governmental activities, which include land, buildings and improvements, machinery and equipment, and infrastructure (such as roads, bridges, sidewalks and similar items) 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.

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' useful lives are expensed as incurred.

Land and construction in progress are not depreciated. Other 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 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 has only 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from 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

Fund balances of governmental funds are presented in various 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. Descriptions and the County's policies with respect to these classifications 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 determined by a formal action of the Board of Commissioners, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use. A resolution by the Board of Commissioners is required (prior to the end of the reporting period) when establishing, modifying or rescinding a fund balance commitment. 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. Unlike commitments, assignments do not require a formal action and generally only exist temporarily. 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 assigned fund balance amounts.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County's policy would be to use restricted fund balances first when expenditure is made 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 made for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

L. Net Position

Net position in financial reporting is based on the *economic resources measurement focus* and represents the difference between (a) total assets and deferred outflows of resources and (b) total 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 expenditure is made 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 expenditures/expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

Applicable statutes of the State of Georgia require the County to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. 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.

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

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. 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.

Annual appropriated budgets are adopted on a modified accrual basis which is consistent with generally accepted accounting principles for governmental funds. Budgets are adopted for the General Fund and each special revenue fund. Capital project funds have project length budgets. Budget amounts are as originally adopted, or as amended by the Board of Commissioners. Supplementary appropriations made by the Board of Commissioners to original budget amounts were primarily to reflect the need for additional operating and capital expenditures in certain departments. All annual appropriations lapse at year-end.

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

B. Excess of Expenditures over Appropriations

As shown in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (General Fund), expenditures for the year ended December 31, 2014, did not exceed appropriations, as originally adopted or as subsequently amended, at the department level (the legal level of control).

NOTE 3. CASH AND INVESTMENTS

Cash on the accompanying financial statements includes cash on hand, demand deposits and money market accounts. 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.

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, 2014, all financial institution deposits were fully insured or collateralized.

Investments at December 31, 2014, consist of certificates of deposit placed with an FDIC insured financial institution. The certificates bear interest at .1% and mature through January, 2016. At December 31, 2014, the County had no investments considered to be cash equivalents.

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.

NOTE 4. RECEIVABLES

Receivables at December 31, 2014, 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 receivable	$ 1,131,489	$ -	$ -	$ 1,131,489
Accounts receivable	313,872	-	179,819	493,691
Due from other governments	704,784	422,343	17,163	1,144,290
	2,150,145	422,343	196,982	2,769,470
Less allowance for uncollectibles	(59,000)	-	-	(59,000)
Total receivables - net	$ 2,091,145	$ 422,343	$ 196,982	$ 2,710,470

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 October 7, 2014, 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, 2015. 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.

General Fund accounts receivable at December 31, 2014, include outstanding ambulance billings for emergency services of approximately $174,000. An allowance for uncollectible accounts of $59,000 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. Ambulance billings 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 approximately $104,000 and various reimbursements, charges for services and user fees. Nonmajor Funds accounts receivable primarily consist of E911 charges and lodging taxes of approximately of $45,000 and $130,000, respectively.

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 Balance Sheet - Governmental Funds.

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, 2014, was as follows:

A. Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Capital assets not depreciated:					
Land [1]	$ 2,174,899	$ -	$ (407,734)	$ -	$ 1,767,165
Construction in progress [2]	1,142,949	435,783	-	-	1,578,732
Total capital assets not depreciated	3,317,848	435,783	(407,734)	-	3,345,897
Capital assets depreciated:					
Infrastructure	25,118,965	1,135,645	-	-	26,254,610
Buildings and improvements	19,934,859	-	-	-	19,934,859
Machinery and equipment	12,768,326	527,503	(201,492)	-	13,094,337
Total capital assets depreciated	57,822,150	1,663,148	(201,492)	-	59,283,806
Less accumulated depreciation for:					
Infrastructure	13,456,602	929,570	-	-	14,386,172
Buildings and improvements	4,538,639	422,283	-	-	4,960,922
Machinery and equipment	10,484,063	758,282	(197,860)	-	11,044,485
Total accumulated depreciation	28,479,304	2,110,135	(197,860)	-	30,391,579
Total capital assets depreciated, net	29,342,846	(446,987)	(3,632)	-	28,892,227
Governmental activities capital assets, net	$ 32,660,694	$ (11,204)	$ (411,366)	$ -	$ 32,238,124

(1) During the year, the County sold three parcels of land to the Fannin County Water Authority which had been purchased by the General Fund in prior years. The aggregate cost and selling price of the three parcels was $367,734. In addition, the County contributed a fourth parcel of land to the Water Authority which had been purchased for $40,000 in a prior year by the Water/Capital Projects Fund using SPLOST funds. See Note 17.

(2) At December 31, 2014, construction in progress includes water system costs (primarily for professional fees in connection with water system design and engineering) financed by the General Fund on behalf of the Water/Capital Projects Fund in the amount of $851,190. The remaining construction in progress includes construction and related costs funded by the Water/Capital Projects Fund with SPLOST collections transferred in from the SPLOST/Roads and SPLOST/Capital Improvements Funds and with CDBG grant revenues. See Note 13.

NOTE 5. CAPITAL ASSETS (CONTINUED)

Depreciation expense, including amortization expense on capital assets financed under capital leases, during the year ended December 31, 2014, was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	$ 190,892
Judical	2,883
Public safety	679,697
Public works	1,088,280
Health and welfare	47,184
Culture and recreation	97,024
Housing and development	4,175
Governmental activities, total depreciation expense	$ 2,110,135

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	-	-	-	-	-
Total capital assets not depreciated	579,612	-	-	-	579,612
Capital assets depreciated:					
Land improvements	5,000	-	-	-	5,000
Buildings and improvements	1,333,255	-	-	-	1,333,255
Equipment	110,546	-	-	-	110,546
Total capital assets depreciated	1,448,801	-	-	-	1,448,801
Less accumulated depreciation for:					
Land improvements	5,000	-	-	-	5,000
Buildings and improvements	258,543	85,635	-	-	344,178
Equipment	95,524	1,952	-	-	97,476
Total accumulated depreciation	359,067	87,587	-	-	446,654
Total capital assets depreciated, net	1,089,734	(87,587)	-	-	1,002,147
Development Authority capital assets, net	$ 1,669,346	$ (87,587)	$ -	$ -	$ 1,581,759

NOTE 5. CAPITAL ASSETS (CONTINUED)

C. Discretely Presented Component Unit – Health Department

Health Department	Beginning Balance	Increases	Decreases	Reclassifications	Ending Balance
Capital assets depreciated:					
Computer equipment	$ -	$ 5,391	$ -	$ -	$ 5,391
Office equipment	8,791	-	-	-	8,791
Leasehold improvements	6,580	-	-	-	6,580
Total capital assets depreciated	15,371	5,391	-	-	20,762
Less accumulated depreciation for:					
Computer equipment	-	749	-	-	749
Office equipment	8,791	-	-	-	8,791
Leasehold improvements	5,302	658	-	-	5,960
Total accumulated depreciation	14,093	1,407	-	-	15,500
Total capital assets depreciated, net	1,278	3,984	-	-	5,262
Health Department capital assets, net	$ 1,278	$ 3,984	$ -	$ -	$ 5,262

NOTE 6. RESTRICTED ASSETS

Restrictions on cash at December 31, 2014, in the following funds are as follows:

Governmental Activities	Restricted Balance
SPLOST/Roads - for roads and bridges	$ 1,371,108
SPLOST/Capital Improvements - for capital projects	1,154,938
Water/Capital Projects - for water projects	386,048
Nonmajor funds - for emergency services	202,824
Nonmajor funds - for purposes of grants received	95,508
Nonmajor funds - for Sheriff and jail operations	33,208
Nonmajor funds - for drug abuse treatment and education	48,203
Nonmajor funds - for juvenile services	48,982
Nonmajor funds - for Clerk's Office technology	238,953
Nonmajor funds - for economic development	66,138
Nonmajor funds - for law library and other purposes	11,077
Governmental activities, total restricted cash	$ 3,656,987

Nonmajor fund investments of $7,521 are restricted at December 31, 2014, for law library purposes.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2014, is as follows:

Receivable Fund	Payable Fund	Amounts
General Fund	Water/Capital Projects	$ 318,924
General Fund	Nonmajor Funds	89,226
SPLOST/Roads	General Fund	239,354
SPLOST/Capital Improvements	SPLOST/Roads	12,739
Water/Capital Projects	SPLOST/Roads	79,346
		$ 739,589

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, 2014, is as follows:

Transfers In	Transfers Out	Amounts
SPLOST/Capital Improvements	SPLOST/Roads	$ 425,633
Water/Capital Projects	SPLOST/Roads	425,633
Water/Capital Projects	SPLOST/Capital Improvements	775,403
		$ 1,626,669

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 8. LONG-TERM DEBT

Primary Government

The following is a summary of long-term debt activity for the year ended December 31, 2014:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Installment Sale Agreement	$ 8,142,267	$ -	$ 935,162	$ 7,207,105	$ 960,453
Capital leases	357,624	271,657	157,806	471,475	198,190
Total	$ 8,499,891	$ 271,657	$ 1,092,968	$ 7,678,580	$ 1,158,643

NOTE 8. LONG-TERM DEBT (CONTINUED)

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. The ACCG has assigned this Installment Sale Agreement to Bank of America.

The reacquisition price of the refunded Certificates and Bonds included a Call Premium payment in the amount of $81,700. 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 the Call Premium amounted to $13,180.

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:

Governmental Activities

Calendar Year	Principal	Interest	Total
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	1,050,470	71,030	1,121,500
2020-2021	2,184,094	59,031	2,243,125
Total	$ 7,207,105	$ 655,664	$ 7,862,769

Capital Leases – The County has entered into lease agreements for financing the acquisition of certain 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 as of the inception date. The leases bear interest at rates varying from 1.6% to 4.9% and require annual payments through 2017. The aggregate cost and net book value of vehicles financed under capital leases total $1,063,210 and $489,210, respectively, at December 31, 2014.

NOTE 8. LONG-TERM DEBT (CONTINUED)

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, are as follows:

Governmental Activities Calendar Year	Total
2015	$ 211,675
2016	188,709
2017	93,484
Total minimum lease payments	493,868
Less: amount representing interest	22,393
Present value of minimum lease payments	$ 471,475

Landfill Post Closure Costs – State and Federal regulations required the County to close its solid waste 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 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, 2014, no liability remains in accounts payable for post closure care costs.

Component Unit – Development Authority

The following is a summary of long-term debt activity for the year ended December 31, 2014:

Development Authority	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
OneGeorgia Authority Note Payable -					
Part 1	$ 131,375	$ -	$ -	$ 131,375	$ -
Part 1 (active)	210,200	-	13,829	196,371	8,297
Part 2 (active)	137,027	-	7,319	129,708	4,525
Total	$ 478,602	$ -	$ 21,148	$ 457,454	$ 12,822

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.

NOTE 8. LONG-TERM DEBT (CONTINUED)

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

Calendar Year	Principal	Interest	Total
2015	$ 8,297	$ -	$ 8,297
2016	11,063	-	11,063
2017	11,063	-	11,063
2018	11,063	-	11,063
2019	11,063	-	11,063
2020 - 2024	55,316	-	55,316
2025 - 2029	55,316	-	55,316
2030 - 2032	33,190	-	33,190
Total	$ 196,371	$ -	$ 196,371

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.

Future debt service requirements under Part 2 are as follows:

Calendar Year	Principal	Interest	Total
2015	$ 4,525	$ 2,885	$ 7,410
2016	6,194	3,686	9,880
2017	6,382	3,498	9,880
2018	6,575	3,305	9,880
2019	6,775	3,105	9,880
2020 - 2024	37,084	12,316	49,400
2025 - 2029	43,062	6,338	49,400
2030 - 2031	19,111	650	19,761
Total	$ 129,708	$ 35,783	$ 165,491

Component Unit – Health Department

The following is a summary of long-term debt activity for the year ended December 31, 2014:

Health Department	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences -	$ 45,530	$ 17,394	$ 17,630	$ 45,294	$ -
	$ 45,530	$ 17,394	$ 17,630	$ 45,294	$ -

Management of the Health Department does not consider any of the compensated absences to be payable within one year.

NOTE 9. 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, 2014, the details of fund balances are as follows:

General Fund - The General Fund has unassigned fund balance of $10,229,970 at December 31, 2014. Prepaid items in the amount of $274,284 are considered nonspendable fund balance.

Other Major Funds – At December 31, 2014, the SPLOST/Roads Fund has restricted fund balance of $1,370,076 to be used for road, street and bridge projects. The SPLOST/Capital Improvements Fund has restricted fund balance of $1,167,677 to be used for construction of capital projects. The Water/Capital Projects Fund has unassigned fund deficit of ($253,530) resulting from water project expenditures financed by borrowings from the General Fund.

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	$ 16,268
Confiscated Assets	public safety purposes (except salaries of law enforcement personnel)	2,929
Multiple Grant	purposes specified by grantors of monies received from various Federal and State agencies	49,930
Crime Victims Assistance	benefit of crime victims and their families	3,470
Drug	drug abuse treatment and education	48,199
Juvenile	operations, staffing and juvenile related programs	48,982
Excise Tax Lodging	tourism promotion within the County	2,330
Clerks Technology	technology upgrades in the Clerk's Office	238,953
Revolving Loan	economic development within the County	119,060
Donations/Special Projects	construction of capital projects	2,980
Emergency 911	operating and personnel costs of emergency services	247,028
		$ 780,129

Additional nonmajor, special revenue fund balances at December 31, 2014, include the Jail Fund with a deficit of ($20,697), which is considered unassigned fund balance, and the Emergency 911 Fund with prepaid items amounting to $5,000 which are considered nonspendable fund balance.

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.

Participant counts as of January 1, 2014, the most recent actuarial valuation date, and covered compensation are shown below:

Membership and Covered Compensation	
Retirees, beneficiaries and disabled currently receiving benefits	57
Terminated Plan participants entitled to, but not yet receiving benefits:	71
Active employees participating in the Plan	144
Total number of Plan participants	272
Covered compensation for active participants	$ 5,377,003

Funding Policy – The County is required to contribute an actuarially determined amount annually to the Plan's trust. The recommended contribution of $760,575 for 2014 was 14.1% of annual covered payroll. The contribution amount is determined using actuarial methods and assumptions approved by ACCG Plan trustees, and the contribution 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, 2014, were determined as follows:

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Derivation of Annual Pension Cost / Net Pension Asset	2014
Annual required contibution	$ 715,711
Interest on net pension asset	(14,338)
Amortization of net pension asset	15,574
Annual pension cost for the year	716,947
Actual contributions to the Plan for the year	760,575
Increase in net pension asset	(43,628)
Net pension asset as of January 1, 2014	(191,172)
Net pension asset as of December 31, 2014	$ (234,800)

There were no substantive changes in Plan provisions, actuarial methods or assumptions since the prior valuation, except as follows:

Investment return was changed from 7.75% to 7.50%
Age banded salary increase rates were changed from 5.0%-7.5% to 4.0%-6.5%
Age and service based employee termination rates were changed
Mortality table was changed and retirement rates were revised
Funding method was changed from Projected Unit Credit to Entry Age Normal

The following table summarizes the actuarial methods and assumptions used in the actuarial valuation of January 1, 2014.

Basis of Valuation	
Current valuation date	January 1, 2014
Actuarial assumptions:	
Assumed rate of return on assets	7.50%
Expected annual salary increases	4.0% to 6.5% based on age
Expected annual inflation	3.00%
Asset valuation method	Smoothed Market Value
Actuarial cost method	Entry Age Normal
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
12/31/2014	$ 716,947	$ 760,575	106.1%	$ 234,800
12/31/2013	$ 719,174	$ 718,132	99.9%	$ 191,172
12/31/2012	$ 736,120	$ 735,072	99.9%	$ 192,214

NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Status of the Plan

Measurement Date	Actuarial Value of the Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (Prior Year) (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/2014	$ 8,738,363	$ 11,776,253	$ 3,037,890	74.2%	$ 5,377,003	56.5%

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

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

NOTE 11. DEFERRED COMPENSATION PLANS

The County maintains two (2) 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 two administrators are Nationwide Retirement Solutions and GEBCorp. 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, 2014, employees contributed $31,151 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 manages these risks by purchasing commercial insurance covering 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 (ACCG) 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.

NOTE 12. RISK MANAGEMENT (CONTINUED)

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's commercial insurance coverage is also with ACCG. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the County's management based on 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, 2014.

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 to be used 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, 2014, the entire grant had been collected and spent, along with matching funds as required.

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

In April, 2010, the Fannin County Water Authority (the "Water Authority"), a political subdivision of the State of Georgia, was created by the State Legislature. The Water Authority consists of seven (7) voting members appointed by the County Commissioners. Commissioners may appoint themselves as members. The executive director of the Fannin County Development Authority serves as a nonvoting member of the Water Authority.

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Prior to the availability of other financing to the Water Authority, the County committed to finance, beginning in 2009, the initial design, engineering and construction of the County's future water system in the Hidden Valley subdivision. Expenditures incurred by the County under this commitment have been reported in the Water/Capital Projects Fund as capital outlays and as construction in progress in the government-wide financial statements. These initial expenditures, financed by the County with General Fund reserves, have been reported as amounts due to the General Fund by the Water/Capital Projects Fund. Beginning in 2012, costs have also been financed by the $500,000 CDBG grant discussed above and collections from the 10% portion of the County's 2011 Special Purpose Local Option Sales Tax (SPLOST) designated for water projects. In May 2014, the initial phase of development and construction was completed, and the Authority began providing residents of the Hidden Valley subdivision with water services.

On June 20, 2014, the Water Authority closed on a Revenue Bond transaction in the amount of $1,862,000 with the United States Department of Agriculture (USDA), Rural Development, enabling it to continue with water development and construction in the My Mountain subdivision. The agreement with the USDA also provides for a grant in the maximum amount of $1,453,650. With this funding in place for the Water Authority to continue construction, the County's financing commitment ended. The initial construction draw under the USDA bond was for $400,000. At the date of this draw, the Water Authority did not have a separate bank account established, as required, to hold and account for bond proceeds. As an accommodation, the County agreed to accept this draw on behalf of the Water Authority. The $400,000 USDA draw is reported as due to other governments in the accompanying balance sheet of the Water/Capital Projects Fund.

In January 2015, the Water Authority opened two bank accounts, one designated for the purpose of holding and accounting for money transferred from the 10% portion of the County's 2011 SPLOST designated for water projects and the other for holding and accounting for funds from the USDA. The County is now transferring these SPLOST collections directly to the Water Authority, no longer channeling them through the Water/Capital Projects Fund.

In January and February 2015, the County turned over to the Water Authority ownership of all construction in progress at December 31, 2014, proceeds from the above $400,000 USDA draw and all remaining SPLOST funds it held that were designated for water projects. In return, the Water Authority assumed responsibility for repaying the General Fund the remaining $318,924 owed by the Water/Capital Projects Fund for its initial financing of water project costs. See also Note 17.

NOTE 14. HOTEL/MOTEL LODGING TAX

During the year ended December 31, 2014, the county spent $846,768 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. Subsequent to year end, the County has discussed with the TVA a possible restructure of the license agreement under which the County would be able to use the property as a park for County residents. The new agreement would not include any arrangement for County employee housing.

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, 2014, the County paid membership dues in the amount of $21,133.

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. CONTRIBUTIONS OF CAPITAL AND SALE OF LAND

As previously stated in Note 13 to the financial statements, the Water/Capital Projects Fund has been used to account for the County's capital expenditures related to the development and construction of the County's future water system. Financing of these expenditures to date has been provided by loans from the General Fund, revenues from the CDBG grant to the County, and collections from the 10% portion of the County's 2011 SPLOST designated for water projects.

During 2014, the County used SPLOST collections in the Water/Capital Projects Fund to purchase a truck in the amount of $29,854 which it contributed to the Water Authority. Also in 2014, three parcels of land known as the Bluebird Well, Green Quarry, and Ford properties, purchased by the General Fund in 2010 and 2013 for a total of $367,734, were sold to the Water Authority at their original purchase price. Funds enabling the Water Authority to purchase these three properties were also provided by SPLOST collections held in the Water/Capital Projects Fund. Finally, the County contributed land in the My Mountain subdivision to the Water Authority, which was purchased in 2012 for $40,000 using SPLOST money transferred into the Water/Capital Projects Fund. As a result of these transactions, capital contributions reported in the accompanying financial statements are as follows:

Contributions of Capital	
Truck	$ 29,854
Green Quarry property	353,734
Blue Bird Well property	10,000
Ford property	4,000
Reported as contributions of capital in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	397,588
My Mountain property	40,000
Reported as contributions of capital in the Statement of Activities	$ 437,588

The sale of the above three parcels of land to the Water Authority totaling $367,734 is included in the amount reported as sale of capital assets in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

REQUIRED SUPPLEMENTARY INFORMATION

FANNIN COUNTY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE FANNIN COUNTY RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014

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)
12/31/2014	$ 8,738,363	$ 11,776,253	$ 3,037,890	74.2%	$ 5,377,003	56.5%
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%

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:

> There have been no substantive changes in plan provisions for valuation purposes since the prior 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:

> There have been no substantive changes in plan provisions for valuation purposes since the prior valuation.

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 methods and assumptions, as well as changes in these methods and assumptions since the prior valuation, are disclosed in the notes to the financial statements.

OTHER SUPPLEMENTARY INFORMATION

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, 2014

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
ASSETS							
Cash	$ 8,747	$ 2,929	$ 95,508	$ 16,377	$ 48,203	$ 13,902	$ 48,982
Investments	7,521	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Due from other governments	-	-	16,075	689	384	15	-
Due from other funds	-	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	$ 16,268	$ 2,929	$ 111,583	$ 17,066	$ 48,587	$ 13,917	$ 48,982
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ -	$ -	$ 11,250	$ 692	$ 388	$ 994	$ -
Due to other governments	-	-	7,360	12,904	-	-	-
Due to other funds	-	-	15,890	-	-	33,620	-
Due to component unit	-	-	27,153	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	-	-	61,653	13,596	388	34,614	-
Fund Balances (Deficit):							
Nonspendable	-	-	-	-	-	-	-
Restricted	16,268	2,929	49,930	3,470	48,199	-	48,982
Unassigned	-	-	-	-	-	(20,697)	-
Total fund balances (deficit)	16,268	2,929	49,930	3,470	48,199	(20,697)	48,982
Total liabilities and fund balances (deficit)	$ 16,268	$ 2,929	$ 111,583	$ 17,066	$ 48,587	$ 13,917	$ 48,982

Continued

FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue					
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	Emergency 911	Total
ASSETS						
Cash	$ 2,330	$ 238,953	$ 66,138	$ 15,585	$ 202,824	$ 760,478
Investments	-	-	-	-	-	7,521
Accounts receivable	129,796	-	4,948	-	45,075	179,819
Due from other governments	-	-	-	-	-	17,163
Due from other funds	-	-	-	-	-	-
Due from component unit	-	-	47,974	-	-	47,974
Prepaid items	-	-	-	-	5,000	5,000
Total assets	$ 132,126	$ 238,953	$ 119,060	$ 15,585	$ 252,899	$ 1,017,955
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 90,080	$ -	$ -	$ 960	$ 871	$ 105,235
Due to other governments	-	-	-	11,645	-	31,909
Due to other funds	39,716	-	-	-	-	89,226
Due to component unit	-	-	-	-	-	27,153
Unearned revenue	-	-	-	-	-	-
Total liabilities	129,796	-	-	12,605	871	253,523
Fund Balances (Deficit):						
Nonspendable	-	-	-	-	5,000	5,000
Restricted	2,330	238,953	119,060	2,980	247,028	780,129
Unassigned	-	-	-	-	-	(20,697)
Total fund balances (deficit)	2,330	238,953	119,060	2,980	252,028	764,432
Total liabilities and fund balances (deficit)	$ 132,126	$ 238,953	$ 119,060	$ 15,585	$ 252,899	$ 1,017,955

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue						
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug	Jail	Juvenile
REVENUES							
Other taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental	-	-	133,687	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	10,998	12,549	-	15,579	33,558	19,766	1,955
Investment income	22	8	159	24	66	59	98
Contributions and donations	-	-	-	-	-	-	-
Total revenues	11,020	12,557	133,846	15,603	33,624	19,825	2,053
EXPENDITURES							
Current:							
Judicial	7,953	-	-	-	-	-	2,315
Public safety	-	10,835	84,470	13,646	7,580	36,513	-
Health and welfare	-	-	45,000	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Housing and development	-	-	-	-	-	-	-
Capital outlay:							
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	-	-	3,000	-	-	-	-
Total expenditures	7,953	10,835	132,470	13,646	7,580	36,513	2,315
Excess (deficiency) of revenues over (under) expenditures	3,067	1,722	1,376	1,957	26,044	(16,688)	(262)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	3,067	1,722	1,376	1,957	26,044	(16,688)	(262)
FUND BALANCES (deficit), beginning of year	13,201	1,207	48,554	1,513	22,155	(4,009)	49,244
FUND BALANCES (deficit), end of year	$ 16,268	$ 2,929	$ 49,930	$ 3,470	$ 48,199	$ (20,697)	$ 48,982

Continued

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue					
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	Emergency 911	Total
REVENUES						
Other taxes	$ 847,055	$ -	$ -	$ -	$ -	$ 847,055
Intergovernmental	-	24,378	-	-	-	158,065
Charges for services	-	-	-	-	378,477	378,477
Fines and forfeitures	-	-	-	-	-	94,405
Investment income	40	70	511	12	605	1,674
Contributions and donations	-	-	-	2,378	-	2,378
Total revenues	847,095	24,448	511	2,390	379,082	1,482,054
EXPENDITURES						
Current:						
Judicial	-	-	-	-	-	10,268
Public safety	-	-	-	485	368,728	522,257
Health and welfare	-	-	-	-	-	45,000
Culture and recreation	-	-	-	2,029	-	2,029
Housing and development	846,768	-	-	-	-	846,768
Capital outlay:						
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	14,300	14,300
Culture and recreation	-	-	-	-	-	3,000
Total expenditures	846,768	-	-	2,514	383,028	1,443,622
Excess (deficiency) of revenues over (under) expenditures	327	24,448	511	(124)	(3,946)	38,432
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	327	24,448	511	(124)	(3,946)	38,432
FUND BALANCES (deficit), beginning of year	2,003	214,505	118,549	3,104	255,974	726,000
FUND BALANCES (deficit), end of year	$ 2,330	$ 238,953	$ 119,060	$ 2,980	$ 252,028	$ 764,432

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2014

	Clerk of Superior Court	Judge of Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total Agency Funds
ASSETS						
Cash	$ 52,704	$ 3,926	$ 10,597	$ -	$ 3,979,842	$ 4,047,069
Restricted cash	102,484	22,800	2,390	16,066	143,558	287,298
Taxes receivable	-	-	-	-	3,102,474	3,102,474
Total Assets	$ 155,188	$ 26,726	$ 12,987	$ 16,066	$ 7,225,874	$ 7,436,841
LIABILITIES						
Due to others	$ 155,188	$ 26,726	$ 12,987	$ 16,066	$ 7,225,874	$ 7,436,841
Total Liabilities	$ 155,188	$ 26,726	$ 12,987	$ 16,066	$ 7,225,874	$ 7,436,841

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, 2014, 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 May 28, 2015.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (See Findings 05-01, 2014-01, 2014-02, 2014-03 and 2014-04)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses. (See Finding 2014-01)

Fannin County, Georgia's Response to Findings

Fannin County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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
May 28, 2015

We consider the following deficiencies to be significant deficiencies in internal control.

Repeat finding from the prior year(s):

2005-01 Segregation of Duties
Fannin County Development Authority (a component unit of Fannin County, Georgia)

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting and cash disbursing) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the proper segregation of certain duties.

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

Context/Cause: During our audit, we noted a lack of segregation of duties within the office of the Development Authority. Segregation of duties issues identified primarily involve conflicts between handling (or having access to) cash within the cash receipt and 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: Without sufficient segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the Development Authority.

Recommendation: We recommend the Development Authority review its cash receipting and disbursing processes and determine how it can effectively segregate duties in order to alleviate these issues and reduce its risk. Duties should be assigned giving proper consideration to the design of an effective control structure and accounting system.

Response: Due to the limited number of employees in the office of the Development Authority, it is difficult to accomplish complete segregation of duties. Nevertheless, we will review daily procedures and our operations in an effort to identify ways to increase segregation of duties, improve oversight and reduce risk.

Current year audit findings:

2014-01 Compliance with SPLOST Referendum

Criteria: Special Purpose Option Sales Tax (SPLOST) expenditures must be made in accordance with the County's intergovernmental agreement and SPLOST referendum as approved by the voters.

The SPLOST Intergovernmental Agreement provides as follows:

- Section 5 of the agreement provides that a special fund shall be designated as the SPLOST Fund and that SPLOST proceeds shall not be commingled with other funds of the County.
- Section 6 of the agreement provides that monies in the SPLOST Fund shall be held and applied in accordance with the referendum and intergovernmental agreement.

Condition: Existing controls over the classification of expenses did not prevent, or detect and correct on a timely basis, violations of the SPLOST referendum and intergovernmental agreement regarding allowed costs.

Context/Cause: During our review of expense accounts, we noted that the cost of gasoline used by Road Department vehicles during the year had been charged entirely to the SPLOST/Roads Fund. No gasoline costs were charged to the General Fund's Road Department during the year. Following our inquiry, gasoline costs during the year were analyzed, and management identified gasoline, along with certain other costs, that should have been paid out of the General Fund. Audit adjustments were made to reclassify these costs to the General Fund's Road Department.

Effect: As a result of the above adjustments, along with an unsettled adjustment from 2013 for an inadvertent overcharge of pension costs to SPLOST/Roads, the General Fund owes approximately $239,000 at year end to SPLOST/Roads. These overcharges paid with SPLOST money are, in substance, a comingling of SPLOST proceeds with other County funds and also a violation of the intergovernmental agreement and Georgia law concerning allowed charges.

Recommendation: We recommend that management re-examine existing controls over classification of expenses, revising as necessary to prevent, or allow timely detection and correction of, errors which could result in the payment of disallowed costs with SPLOST money.

Response: We agree with this finding. We will review controls and make changes as necessary to ensure that expenses are not misclassified and future expenditures of SPLOST money are in accordance with the SPLOST referendum and intergovernmental agreement.

2014-02 Written Policies Needed for Common Expenditures among Funds/Departments

Criteria: Accounting for business transactions can often vary and still be in accordance with generally accepted accounting principles. Such situations require governments to adopt policies which provide not only overall guidance, but also specific methodology concerning the accounting and reporting of certain transactions. Adopted policies should be in writing and consistently applied from year to year.

Condition: Certain costs within the County are paid by one fund, but are shared with other funds. Certain costs are also paid by one fund, but are shared by more than one department within that fund. Written policies should identify costs that the County has agreed are routinely allocable among funds or departments and provide detailed guidance on how these costs will be allocated.

Context/Cause: During our audit we noted a number of transactions that are routinely allocated among several funds and among departments within the General Fund. The County does these allocations using various methodologies depending on the type of cost. The methods used to allocated expenses are not currently formalized in writing. Examples of common costs where written policies and detailed guidance are needed include, but may not necessarily be limited to, the following:

- Allocations of payroll and payroll taxes from the General Fund to E911 and to SPLOST/Roads.
- Allocations of group health insurance and pension costs from the General Fund to E911 and to SPLOST/Roads and between departments within the General Fund.
- Allocations of shop supplies and shop maintenance costs between the General Fund and SPLOST/Roads.
- Allocations of Road Department equipment and gasoline/fuel costs between the General Fund and SPLOST/Roads.

Effect: Without written, detail guidance governing allocations, costs shared among departments or funds may inadvertently be overlooked or misallocated. Inconsistencies in allocations may also occur from one accounting period to the next. Inadvertent violations of Georgia law with respect to E911 and SPLOST may occur.

Recommendation: We recommend the County prepare written policies with specific guidance concerning the allocation of costs among funds or among departments within the General Fund. Written policies will provide for continuity where there may be employee turnover and for consistency in application from year to year. This will also be an opportunity to review the allocation methods currently used and make any changes or improvements considered appropriate.

Response: We agree with this finding. We will take steps to prepare written policies and detailed guidance concerning the allocation of costs among departments and funds. In so doing, we will review our current allocation methods and make any needed improvements or changes considered appropriate.

2014-03 Review and Approval of Payroll

Criteria: A review and approval process is an important control over payroll. Maintenance of employee master files and data entry of hours worked each payroll period should be reviewed and approved by a second employee before employee master files or hours worked are updated.

Condition: Procedures currently in place over the processing of payroll do not require a second employee review and approval before employee master files or hours worked are updated in the system.

Context/Cause: We became aware during our audit that responsibility for payroll is primarily assigned to one employee, with another employee available to serve as a backup. These employees may alternate payroll responsibility but do not review and approve each other's work for accuracy.

Effect: Without a review and approval process in place over maintenance of employee master files and hours worked each pay period, errors may occur in employee compensation and not be detected and corrected on a timely basis. Cash may intentionally or unintentionally be misappropriated.

Recommendation: We recommend the County institute a second employee review and approval process over payroll. Maintenance of employee payroll master files as well as hours worked each pay period should be independently reviewed and approved.

Response: We agree with this recommendation and will incorporate a review and approval process into the payroll system.

2014-04 Bank Account Signature Authority:

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting and cash disbursing) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the proper segregation of certain duties.

Condition: An employee in Emergency Medical Services with accounting responsibilities over medical transport billings and collections is also listed as an authorized check signor on the ambulance bank account used for insurance company and Medicare electronic remittances on claims.

Context/Cause: Several years ago, a change was made in order to improve segregation of duties within the Emergency Medical Services Department Prior to that time, the employee with responsibility for the billing and bookkeeping of medical transport services was also routinely signing checks drawn on the ambulance bank account and handling cash. The change made eliminated check signing and cash handling as a responsibility of this employee. However, it has come to our attention that the employee is still listed with the bank as an authorized check signor.

Effect: Although the employee no longer signs checks as part of daily duties, the ability to sign remains since that employee is listed as an authorized signor with the bank. This could potentially result in the misappropriation of County cash.

Recommendation: We recommend the County take immediate action to remove the employee as an authorized signor on the bank account.

Response: The County agrees with this recommendation and will take immediate action to remove this employee as an authorized signor on the account at the bank.

STATE SECTION

FANNIN COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER, 31 2014

	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	$ 7,325,107	$ 4,746,550	$ 12,071,657	
Roads and Bridges Improvements	$ 17,025,000	$ 17,025,000	$ 5,982,564	$ 3,055,414	$ 9,037,978	53%
Capital Improvements:						
Water	$ 2,500,000	$ 2,500,000	74,586	1,175,633	1,250,219	50%
Capital Outlay	$ 2,500,000	$ 2,500,000	256,480	9,000	265,480	11%
Contractual Payments:						
City of Blue Ridge	$ 1,575,000	$ 1,575,000	535,487	268,149	803,636	
City of McCaysville	$ 1,400,000	$ 1,400,000	475,990	238,354	714,344	
Total 2011 Projects			$ 7,325,107	$ 4,746,550	$ 12,071,657	

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 using funds transfered from the SPLOST/Roads Fund or the SPLOST/Capital Improvements Fund. Expenditures for water capital improvements financed with borrowings from the General Fund or paid with proceeds from the CDBG grant are not considered to be SPLOST expenditures and, accordingly, are not included above.

Water expenditures above in the amount of $1,175,633 for 2014 include $532,266 paid to the General Fund to reduce borrowing in previous years.

FANNIN COUNTY, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER, 31 2014

State Program Name	Contract Number	Current Year Received	Current Year Expended	Amount Due from (to) State
Family Connections	93-141400053	$ 22,500	$ 22,500	$ -
Family Connections	93-151500053	22,500	22,500	11,250

The above schedule has been prepared using modified accrual accounting.