TOWNS COUNTY, GEORGIA

HIAWASSEE, GEORGIA

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL MATERIAL

FOR THE YEARS ENDED

DECEMBER 31, 2011 AND 2010

TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Years Ended December 31, 2011 and 2010

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ALEXANDER ALMAND & BANGS, LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 29, 2012

INDEPENDENT AUDITOR'S REPORT

To the Commissioner
Towns County, Georgia
Hiawassee, Georgia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Towns County, Georgia, as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Towns County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include certain prior-year summarized comparative information presented in total but not by major fund class. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2010, dated June 20, 2011 from which the summarized information was derived. We did not audit the financial statements of the Towns County Health Department. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for Towns County Health Department, on the report of the other auditors.

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

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

In accordance with Government Auditing Standards, we have also issued our report, dated June 29, 2012 on our consideration of Towns 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

302 Bradford St. NW Gainesville, GA 30501 (770) 536-0511 Fax (770) 536-7565 alexanderalmand.com
Members of: The Georgia Society of Certified Public Accountants The American Institute of Certified Public Accountants

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and budgetary comparison information on pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements of Towns County, Georgia taken as a whole. The combining and individual nonmajor fund statements for the year ended December 31, 2011, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the information is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Alexander, Aldred & Boyer, LLP

Management's discussion and analysis provides an objective and easily readable analysis of the Government's financial activities. The analysis provides summary financial information for Towns County and should be read in conjunction with the Government's financial statements.

FINANCIAL HIGHLIGHTS

- The County's assets exceeded its liabilities at the close of the fiscal year by $ 18,437,321 (net assets).
- The government's total net assets increased $ 2,152,023 for the current year, an 11.6% increase. This increase includes fire department building, trucks, and equipment, road department and EMS equipment. This was due to conservative and prudent planning to keep the County in strong financial position in order to cope with the future anticipated revenue losses due to annual decreases in the tax digest and ¼ tax mill cut. There has also been a reduction in other revenue sources, i.e., beer and wine tax and real estate transfer tax. The county will continue to follow conservative fiscal policies adopted by the County Commissioner.
- The general fund reported a $ 1,130,925 gain due to factors indicated above.
- County general fund, SPLOST fund and non-major funds are in interest bearing bank accounts whenever eligible, earning $ 66,611 in additional funds for the 2011 year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Government's basic financial statements comprise three components: **1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.** The **Government-wide financial statements** present an overall picture of the Government's financial position and results of operations. The **Fund financial statements** present financial information for the Government's major funds. This report also contains other supplementary information in addition to the basic financial statements themselves.

The **Government-wide financial statements** are the Statement of Net Assets and the Statement of Activities. Emphasis is placed on the net assets of governmental activities and the change in net assets. Governmental Activities are primarily supported by property taxes, sales taxes, other taxes, and federal and state grants, fines, and charges for services.

The statement of net assets presents the County's assets and liabilities, with the difference between the two reported as net assets. Over time the change in net assets is an indicator of the improvement (an increase) or deterioration (a decrease) in the County's financial condition.

The statement of activities presents the revenues and expenditures of the County. The difference between these is the change in net assets for the year.

Both of the government-wide financial statements identify the various functions of Towns County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through charges and user fees. The governmental activities of Towns County include general government, public safety, court system, health and welfare, recreation and culture, public works, housing and development.

The government-wide financial statements include not only Towns County, Georgia itself (known as the primary government), but also a legally separate Towns County Health Department, a component unit of the County. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Towns County can be divided into two categories: governmental funds and fiduciary funds. These statements provide financial information for the major funds of Towns County. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures) and current available resources.

Fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all governmental funds. A statement of revenues, expenditures, and changes in fund balances is provided for the Government's General Fund.

Fund financial statements provide more detailed information about the Government's activities. Individual funds are established to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants.

GOVERNMENT-WIDE FINANCIAL INFORMATION

The government-wide financial statements and the fund financial statements provide different pictures of the Government. The government-wide financial statements provide an overall picture of the Government's financial standing as shown in results for Governmental Activities. These statements are comparable to private-sector companies and give a good understanding of the Government's overall financial health and how the Government paid for the various activities, or functions, provided by the Government.

At December 31, 2011 and 2010 respectively, the County's assets exceeded liabilities by $ 18,437,321 and $ 16,285,298. The largest portion of the County's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets as of December 31, 2011 and 2010

	Governmental Activities	
	2011	**2010**
Current and other assets	$ 16,503,661	$ 10,238,242
Capital assets	13,438,254	12,038,849
Total assets	29,941,915	22,277,091
Long-term liabilities outstanding	5,215,000	47,612
Other liabilities	6,289,594	5,944,181
Total liabilities	11,504,594	5,991,793
Net assets:		
Invested in capital assets, net of related debt	7,238,254	11,940,863
Restricted	5,546,466	159,554
Unrestricted	5,652,601	4,184,881
Total net assets	$ 18,437,321	$ 16,285,298

Changes in Net Assets

The County's total revenues before transfers for fiscal year ended December 31, 2011 totaled $ 12,452,664. Expenditures were $ 10,300,641 with an overall change in net assets of $ 2,152,023.

Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	$ 2,666,263	$ 2,654,149
Operating grants and contributions	515,341	495,661
Capital grants and contributions	279,408	90,942
General revenues:		
Property taxes	5,477,063	5,969,057
Sales tax	2,515,552	1,399,085
Other taxes	901,124	963,959
Unrestricted investment earnings	66,611	64,865
Miscellaneous	31,180	11,960
Gain (Loss) on sale of capital assets	122	(1,453)
Total Revenues	12,452,664	11,648,225
Expenditures:		
General government	1,381,308	1,317,479
Public safety	4,573,157	4,519,920
Court system	756,948	760,771
Health and welfare	836,608	950,505
Recreation and culture	540,515	574,920
Public works	1,331,561	1,340,415
Housing and development	791,734	438,827
Interest on long-term debt	88,810	48,973
Total Expenditures	10,300,641	9,951,810
Increase in net assets before transfers	2,152,023	1,696,415
Transfers	-	-
Change in net assets	2,152,023	1,696,415
Net assets, January 1	16,285,298	14,588,883
Net assets, December 31	$ 18,437,321	$ 16,285,298

FUND FINANCIAL INFORMATION

Major Governmental Funds

General Fund

The General Fund is used to account for all governmental financial resources not restricted by local, state or federal laws. As of December 31, 2011, the General Fund had assets of $ 10,789,504 and liabilities of $ 5,984,978.

The final budget for the General Fund decreased by $ 436,847 from fiscal year 2010 to fiscal year 2011 based on final budgeted appropriations.

Splost Fund

On March 15, 2011, the voters passed a 1% Special Purpose Local Option Sales Tax to be imposed in Towns County for a period of time not to exceed 6 years for the raising of an estimated $ 12,700,000 ($ 12,545,000 for capital projects and $ 155,000 for bond issuance costs) for the purpose of funding the acquisition, construction, and equipping of the following capital outlay projects within Towns County: parks and recreation improvements including the acquisition, construction and equipping of a multi-purpose recreational/community building; road and bridge purposes, which purposes may include pedestrian cross-walks, parking and capital equipment thereto; fire department vehicles, equipment, facilities, and fire hydrants; construction and improvements to the public library, water and sewer improvements including solid waste, storm water management, and equipment thereto; ambulances and other public safety vehicles and equipment; and industrial and economic development improvement to include infrastructure and possible land acquisition.

For the City of Hiawassee, the 1% Special Purpose Option Sales Tax will be used for parks and recreation improvements including the acquisition, construction and equipping of a park and buildings, equipment and related facilities; road, street, and bridge purposes, which purposes may include sidewalks, bicycle paths, pedestrian cross-walks and turn lanes, and capital equipment related thereto; fire hydrants and improved fire protection facilities and water lines and equipment related thereto; construction and improvements to the Hiawassee Water Treatment Plant and water treatment facilities including water storage; Hiawassee Sewer Plant and sewer treatment facilities, and industrial and economic development projects for downtown development including renovation of the Hiawassee City Square.

For the City of Young Harris, the 1% Special Purpose Option Sales Tax will be used for parks and recreation improvements; road, street, and bridge purposes, which purposes may include sidewalks, bicycle paths, pedestrian cross-walks, and capital equipment thereto; and water and sewer improvements including fire hydrants, solid waste, storm water management and equipment.

The tax was imposed beginning July 1, 2011. The voters adopted a bond resolution and a bond placement agreement was signed for the issuance of Towns County General Obligation Sales Tax Bond Series 2011 with a principal amount of $ 6,200,000 for the capital outlay projects described above. The bond has a fixed interest rate of 2.35%. The bond provides for the pledge of special sales tax proceeds for the payment of the bond, for the collection of the special sales tax, for the placement and sale of the bond, and to declare an official intent to reimburse certain costs from proceeds.

The estimated special purpose sales and use tax revenue shall be divided between and among Towns County, the City of Hiawassee and the City of Young Harris in accordance with an Intergovernmental Agreement which is on file in the office of the County Clerk of the Commissioner of Towns County.

As of December 31, 2011, the Splost Fund had assets of $ 5,797,282 and liabilities of $ 365,230. The projects are estimated to be 13% complete as of December 31, 2011.

Further detail of the Splost Fund is provided in the fund financial statements, notes to the financial statements and schedule of projects constructed with special sales tax proceeds

CAPITAL ASSETS ACTIVITY

During fiscal year 2011, the County's investment in capital assets grew $ 1,399,405 net. The County spent $ 2,121,149 in capital outlay (which included $ 1,627,374 in the Splost fund and $ 493,775 in general fund) and adjustments for depreciation were $ 722,888 and $ 6,260,724 accumulated depreciation for its governmental activities. The County disposed of capital assets totaling $ 264,784 which created a gain of $ 122 and received a building donated with a fair market value of $ 39,042. Further detail on capital assets is provided in the notes to the financial statements.

Capital Assets at Year-end

	Governmental Activities	
	2011	2010
Land	$ 4,510,217	$ 4,510,217
Construction in progress	1,498,737	-
Land improvements	289,521	289,521
Buildings	7,493,972	7,472,690
Equipment	5,350,383	5,068,748
Infrastructure	556,148	492,915
Total	$ 19,698,978	$ 17,834,091

The following reconciliation summarizes the change in Capital Assets:

	Governmental Activities	
	2011	2010
Beginning Balance:	$ 17,834,091	$ 16,955,463
Additions:		
Land	-	702,601
Construction in Progress	1,498,737	-
Land improvements	-	28,970
Buildings	39,042	-
Equipment	528,659	233,352
Infrastructure	63,233	-
Dispositions:	-	
Land	-	-
Construction in Progress	-	-
Land improvements	-	-
Buildings	(17,760)	-
Equipment	(247,024)	(86,295)
Infrastructure	-	-
Total Capital Assets at Year-end	$ 19,698,978	$ 17,834,091

LONG-TERM DEBT

The County was liable for long-term capital lease obligations totaling $ -0- and $ 97,986 (E-911 equipment debt) at December 31, 2011 and 2010, respectively. The County paid off the existing capital lease in 2011.

The County issued general obligation sales tax bond, 2011 series to fund capital projects. The original bond issue totaled $ 6,200,000 with a fixed interest rate of 2.35%. Principal payments are due annually beginning September 1, 2012 and will continue through September 1, 2017. Interest payments are due semi-annually beginning September 1, 2011 and will continue through September 1, 2017. As of December 31, 2011, the balance of the bond was $ 6,200,000, respectively.

Further detail on long-term debt liability is provided in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues of $ 10,197,937 exceeded budgeted revenues of $ 9,232,047 and budgeted use of surplus reserves of $ 337,158 in 2011. The positive results are attributed to better than anticipated tax revenue collections and improved collections for the transfer station and ambulance services.

General Fund expenditures (before transfers) were less than budgeted. With total appropriations of $ 9,569,205, and budgeted expenditures before transfers of $ 9,124,598, the County actually spent $ 8,700,667 or $ 423,932 less than budgeted, for the year ending December 31, 2011. This was achieved through continued implementation of conservative fiscal policies adopted by the Commissioner.

ECONOMIC FACTORS

The issues facing the national economy correlate with the County's local economy. The County plans to maintain a conservative fiscal position while the economic conditions dictate.

Budgets are reviewed on a monthly basis with each department head to determine that expenditures are within the overall adopted budget. The County Commissioner holds department head meetings to discuss any overspending, when necessary, and requires department heads to curtail spending in order to bring their department in line with the budget.

The budget for the general fund 2012 includes $ 9,386,220 for general operations and equipment and another $ 378,500 in special earmarked funds including the Department of Justice Grant, hotel/motel tax collected and disbursed, and Juvenile Offenders Program grant for a total of $ 9,764,720. This is a decrease of 5% from the original budget from the previous year. The decrease is mainly due to the Community Block Grant which will be added by amendment in the amount of expenditures at the commissioners meeting. The budget appropriations were reallocated to include a 30 cent across the board raise for all employees. All other department appropriations remain the same as previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Towns County's finances for those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the following:

Towns County Commissioner
48 River St, Suite B
Hiawassee, GA 30546

TOWNS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2011 and 2010

	PRIMARY GOVERNMENT		June 30, 2011 COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES		
	2011	2010	HEALTH DEPARTMENT
ASSETS			
Current Assets			
Cash and cash equivalents	$ 11,048,127	$ 5,462,950	$ 125,501
Receivables, net of uncollectable	5,385,262	4,683,917	25,649
Prepaid Items	70,272	91,375	-
Total Current Assets	16,503,661	10,238,242	151,150
Capital Assets			
Capital assets not being depreciated:			
Land	4,510,217	4,510,217	-
Construction in progress	1,498,737	-	
Capital assets being depreciated:			
Land improvements, depreciable	289,521	289,521	-
Buildings and improvements	7,493,972	7,472,690	-
Furniture and equipment	1,695,992	1,618,694	-
Vehicles and heavy equipment	3,654,391	3,450,054	-
Infrastructure	556,148	492,915	-
Less: accumulated depreciation	(6,260,724)	(5,795,242)	-
Capital Assets, net of depreciation	13,438,254	12,038,849	-
TOTAL ASSETS	$ 29,941,915	$ 22,277,091	$ 151,150

The notes to the financial statements are an integral part of these statements.

TOWNS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2011 and 2010

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES 2011	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES 2010	June 30, 2011 COMPONENT UNIT HEALTH DEPARTMENT
LIABILITIES			
Current Liabilities			
Accounts payable	$ 361,742	$ 155,337	$ 5,588
Accrued liabilities	192,942	197,096	-
Accrued interest	48,567	-	-
Contingent liabilities	32,000	32,000	-
Unearned revenues	4,539,933	5,376,215	-
Compensated absences	129,410	133,159	38,000
Bond payable	985,000	50,374	-
Total Current Liabilities	6,289,594	5,944,181	43,588
Noncurrent liabilities			
Compensated absences	-	-	18,506
Bond payable	5,215,000	47,612	-
Total Noncurrent Liabilities	5,215,000	47,612	18,506
TOTAL LIABILITIES	11,504,594	5,991,793	62,094
NET ASSETS			
Invested in capital assets, net of related debt	7,238,254	11,940,863	-
Restricted for capital project funds	5,432,052	-	-
Restricted for special revenue funds	114,414	159,554	-
Unrestricted	5,652,601	4,184,881	89,056
TOTAL NET ASSETS	$ 18,437,321	$ 16,285,298	$ 89,056

TOWNS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011 and 2010

		Program Revenues		
	Expenditures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General government	$ 1,381,308	$ 53,271	$ 138,380	$ -
Public safety	4,573,157	706,622	204,713	131,868
Court system	756,948	1,092,779	69,462	-
Health and welfare	836,608	224,043	71,611	84,307
Recreation and culture	540,515	189,207	-	-
Public works	1,331,561	349,654	31,175	63,233
Housing and development	791,734	50,687	-	-
Interest and paying agent fees	88,810	-	-	-
Total Primary Government	$ 10,300,641	$ 2,666,263	$ 515,341	$ 279,408
Component Units:				
Towns County Health Department	$ 532,386	$ 184,267	$ 307,030	$ -
Total Component Units	$ 532,386	$ 184,267	$ 307,030	$ -

GENERAL REVENUES:
Taxes
Property taxes
Sales taxes
Other taxes
Investment earnings
Miscellaneous
Gain (loss) on sale of capital assets

Total General Revenues

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING

NET ASSETS, ENDING

The notes to the financial statements are an integral part of these statements.

TOWNS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011 and 2010

Net (Expenditure) Revenue and Changes in Net Assets		June 30, 2011
Primary Government		Component Unit
Governmental Activities	2010 Totals	Towns County Health Dept.
$ (1,189,657)	$ (1,146,302)	
(3,529,954)	(3,544,653)	
405,293	161,801	
(456,647)	(618,886)	
(351,308)	(340,611)	
(887,499)	(828,425)	
(741,047)	(345,009)	
(88,810)	(48,973)	
$ (6,839,629)	$ (6,711,058)	
		$ (41,089)
		$ (41,089)
$ 5,477,063	$ 5,969,057	-
2,515,552	1,399,085	-
901,124	963,959	-
66,611	64,865	-
31,180	11,960	-
122	(1,453)	-
8,991,652	8,407,473	-
2,152,023	1,696,415	(41,089)
16,285,298	14,588,883	130,145
$ 18,437,321	$ 16,285,298	$ 89,056

TOWNS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011 and 2010

	General	2011 Splost and Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,485,501	$5,524,050	$ 38,576	$ 11,048,127	$ 5,462,950
Receivables, net	5,062,935	273,232	49,095	5,385,262	4,683,917
Due from other funds	170,796	-	57,415	228,211	44,362
Prepaid items	70,272	-	-	70,272	91,375
TOTAL ASSETS	$ 10,789,504	$5,797,282	$ 145,086	$ 16,731,872	$ 10,282,604
LIABILITIES					
Accounts payable	$ 196,063	$ 165,678	$ -	$ 361,741	$ 155,336
Accrued liabilities	182,081	-	10,861	192,942	197,096
Accrued interest	-	48,567	-	48,567	-
Contingent liabilities	32,000	-	-	32,000	32,000
Deferred revenues	5,517,419	-	-	5,517,419	6,020,655
Due to other funds	57,415	150,985	19,811	228,211	44,362
Total liabilities	5,984,978	365,230	30,672	6,380,880	6,449,449
FUND BALANCE					
Non-spendable:					
Prepaid items	70,272	-	-	70,272	70,663
Restricted:					
Capital project funds	-	5,432,052	-	5,432,052	-
Special revenue funds		-	114,414	114,414	159,554
Unassigned :	4,734,254	-		4,734,254	3,602,938
Total fund balances	4,804,526	5,432,052	114,414	10,350,992	3,833,155
TOTAL LIABILITIES AND FUND BALANCES	$ 10,789,504	$5,797,282	$ 145,086	$ 16,731,872	$ 10,282,604

The notes to the financial statements are an integral part of these statements.

TOWNS COUNTY, GEORGIA
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2011 and 2010

Amounts reported for governmental activities in the Statement of Net Assets are different because:

		2011	2010
Fund balance - total government funds		$ 10,350,992	$ 3,833,155
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.		13,438,254	12,038,849
Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred revenues in the funds.		977,486	644,440
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(129,410)		
Bond debt	(6,200,000)	(6,329,410)	(231,145)
Rounding		(1)	(1)
		$ 18,437,321	$ 16,285,298

The notes to the financial statements are an integral part of these statements.

TOWNS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011 and 2010

	General	2011 Splost and Bond Construction	Other Nonmajor Governmental Funds	Total Governmental Funds	Total Prior Year Governmental Funds
REVENUES					
Taxes	$ 7,805,199	$1,052,814	$ 284,477	$ 9,142,490	$ 8,650,150
Licenses and permits	50,687	-	-	50,687	93,818
Fines and forfeitures	308,040	-	37,583	345,623	366,245
Charges for services	1,140,124	-	412,042	1,552,166	1,720,529
Interest income	42,621	23,913	77	66,611	64,865
Intergovernmental	688,515	-	71,611	760,126	575,832
Contributions and donations	47,837	-	-	47,837	29,729
Other	114,914	-	-	114,914	131,544
TOTAL REVENUES	$10,197,937	$1,076,727	$ 805,790	$12,080,454	$ 11,632,712
EXPENDITURES					
Current Operating					
General government	$ 1,226,364	$ -	-	$ 1,226,364	$ 1,308,804
Public safety	3,754,940	-	416,249	4,171,189	4,130,864
Court system	666,256	-	20,682	686,938	667,210
Public works	1,179,722	-	-	1,179,722	1,179,551
Health and welfare	392,495	-	403,987	796,482	886,457
Recreation and culture	450,384	-	-	450,384	501,070
Housing and development	536,731	-	284,481	821,212	441,089
Capital Outlay	493,775	1,627,374	-	2,121,149	964,923
Debt Service: Bond issuance costs	-	129,881	-	129,881	-
Debt Service: Principal	-	-	97,986	97,986	732,855
Debt Service: Interest	-	87,420	1,390	88,810	48,974
TOTAL EXPENDITURES	8,700,667	1,844,675	1,224,775	11,770,117	10,861,797
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	1,497,270	(767,948)	(418,985)	310,337	770,915
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	7,500	-	-	7,500	7,299
Proceeds from financing	-	6,200,000	-	6,200,000	35,000
Transfers in (out)	(373,845)	-	373,845	-	-
TOTAL OTHER FINANCING SOURCES	(366,345)	6,200,000	373,845	6,207,500	42,299
NET CHANGE IN FUND BALANCES	1,130,925	5,432,052	(45,140)	6,517,837	813,214
FUND BALANCE, BEGINNING	3,673,601	-	159,554	3,833,155	3,019,941
FUND BALANCE, ENDING	$ 4,804,526	$5,432,052	$ 114,414	$10,350,992	$ 3,833,155

The notes to the financial statements are an integral part of these statements.

TOWNS COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011 and 2010

Amounts reported for governmental activities in the Statement of Activities are different as a result of:		2011	2010
Net change in fund balances		$ 6,517,837	$ 813,214
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Activities, in which the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:			
Capital outlay	2,090,629		
Depreciation expense	(722,888)	1,367,741	231,054
Property donated to the county reported as a revenue on the Statement of Activities and shown as capital asset.		39,042	-
Certain liabilities reported in the Statement of Activities do not require the use of current financial resources and therefore, the adjustment to expenditures is not reflected in the fund statements.		3,749	(53,922)
Some governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental activities.			
Property Taxes	337,361		
Fines	640,125	977,486	644,440
Revenues reported in the funds that relate to prior years are not reported as revenues in the statement of activities.		(644,440)	(627,473)
The difference between the proceeds from the sale or disposition of capital assets and the associated gain/loss are not reflected in the government fund statements.			
Proceeds from sale of assets	(7,500)		
Gain (loss) on disposed assets	122	(7,378)	(8,752)
Repayment of long term debt is reported as an expenditure in governmental funds, but a reduction of long term liabilities in the Statement of Net Assets.		97,986	732,855
Revenues reported as proceeds from financing on fund statements are shown as an increase in long term liabilities in the Statement of Net Assets.		(6,200,000)	(35,000)
Rounding		-	(1)
		$ 2,152,023	$ 1,696,415

The notes to the financial statements are an integral part of these statements.

TOWNS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash	$ 117,957	$ 218,883
TOTAL ASSETS	$ 117,957	$ 218,883
LIABILITIES		
Funds held in trust	$ 117,957	218,883
TOTAL LIABILITIES	$ 117,957	$ 218,883

The notes to the financial statements are an integral part of these statements.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

Towns County, Georgia is a political subdivision of the State of Georgia governed by an elected commissioner. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

The component unit columns in the combined financial statements include the financial data of the County's component units which meet the criteria established by governmental accounting standards. The Towns County Health Department issues separate financial statements which have a June 30 year-end as required by state statutes.

A brief description of discretely presented component unit follows:

Towns County Health Department (health department): The health department is charged with determining the health needs and resources of its jurisdiction, developing programs, activities, and facilities responsive to those needs, and enforcing all laws related to health matters unless they fall under the jurisdiction of other agencies. The health department is governed by the Towns County Board of Health (Board). The Board includes seven members representing government, health professions, and the needy. The County appoints the voting majority of the Board. The health department is fiscally dependent on the County since it must have its budget approved by the County. Additionally, the County provides significant operating subsidies to the department.

Complete financial statements of the Towns County Health Department may be obtained from their administrative office at the following location:

Towns County Health Department
41 River Street
Hiawassee, Georgia 30546

Based on the GASB criteria, the following potential component units are not financially accountable to the Commissioner and their operations are not considered component units and are not included in this report because the government does not have the ability to exercise influence over their daily operations, approve budgets or provide funding.

Related Parties

Towns County Board of Family and Children Services – although the Board is appointed by the County, this is considered a State agency with funding and oversight by the State.

Towns County Recreation Authority – the Board is appointed by the County. However, the County has no ability to impose its will, nor does the County have a financial obligation for the Authority.

Other

Towns County Board of Education – has a separately elected Board and provides services to residents of the County.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment is offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of 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 expenditures are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected by the end of the current fiscal period. Revenues susceptible to accrual are considered as available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental grant revenues, entitlements, and contributions are recognized in the year in which all eligibility requirements are met. 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.

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

The government reports the following major governmental funds:

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

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

The *Splost Fund* is the government's 2011 Special Purpose Local Option Sales Tax capital projects fund that accounts for the receipts and disbursements of (1%) sales currently collected from 2011 through 2017. The primary revenue sources are sales taxes and primary expenditures for the county are parks and recreation improvements and acquisitions, road and bridge improvements, water and sewer improvements, fire department vehicles, fire hydrants and equipment, construction and improvements to the public library, ambulance and other public safety vehicles and equipment, industrial and economic development, improvements and acquisitions.

The estimated special purpose sales and use tax revenue shall be divided between and among Towns County, the City of Hiawassee and the City of Young Harris in accordance with an Intergovernmental Agreement which is on file in the office of the County Clerk of the Commissioner of Towns County.

The non-major governmental funds are combined and reported in a single column in the fund financial statements.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Agency funds are custodial in nature and do not represent results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury and its agencies and instrumentalities; bonds or certificates of indebtedness of this state and its agencies and instrumentalists; certificates of deposits of banks insured by FDIC.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

Property taxes were levied on November 17, 2011 and were due January 30, 2012. Interest of 1% per month is assessed on taxes not paid by this date. The taxes are subject to lien after January 31, 2012. A penalty of 10% is assessed on taxes not paid by this date.

The County bills and collects its own property taxes and also those for the School Board and the State. Only the County's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred revenue in the general fund.

Inventory and Prepaid Items

Inventories of the primary government are not recorded due to a lack of materiality.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial cost of $ 5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Roads, bridges and culverts acquired prior to December 31, 2003, have not yet been reported.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40
Building Improvements	10-25
Machinery and Equipment	5-10
Vehicles	5
Infrastructure	10-50

Compensated Absences

Employees earn personal leave at the rate of 10 hours per month for full-time employees. Personal leave cannot be accrued in excess of 480 hours. Upon request, employees can be paid for personal leave up to their accumulated hours. Personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The total compensated absence liability is reported on the government-wide financial statements.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Government Fund Type Definitions, the County classifies government fund balances as follows:

- Non-spendable – includes fund balances that cannot be spent either because it is not in spendable forms or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the County Commissioner.
- Unassigned includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The County doesn't have an official policy; however, the County uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (continued)

The County does not have a formal minimum fund balance policy.

A schedule of fund balances is as follows:

	General	Splost	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:				
Non-spendable				
Prepaid items	$ 70,272	$ -	$ -	$ 70,272
Restricted:				
Capital projects	-	5,432,052	-	5,432,052
Public safety	-	-	87,847	87,847
Court system	-	-	23,495	23,495
Health and welfare	-	-	3,070	3,070
Housing and development			2	2
Unassigned:	4,734,254	-	-	4,734,254
Total Fund Balance	$ 4,804,526	$ 5,432,052	$ 114,414	$ 10,350,992

Note 2 – DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government's policy for custodial credit risk is to obtain collateral from financial institutions in accordance with state law. The government's bank balances were insured or collateralized as of December 31, 2011.

The County utilized the direct method and pooled method of securing deposits of public funds as described below.

- Under the direct method, a depository shall secure the deposits of each of these public depositors separately.
- Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposits with such depository as set forth in code Section 45-8-13.1.

Note 3 – RECEIVABLES

Receivables as of the year end for the County's individual major funds, nonmajor governmental funds in the aggregate, and enterprise fund including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Splost	Non-Major Governmental Funds	Component Unit TC Health Department
Receivables:				
Property taxes	$ 3,774,625	$ -	$ -	$ -
Other taxes	233,275	273,232	-	-
Ambulance	224,094	-	-	-
Fines	984,808	-	-	-
Other accounts	206,987	-	45,290	25,649
Intergovernmental	64,634	-	3,805	-
Total Gross Receivables	5,488,423	273,232	49,095	25,649
Less: Allowances for uncollectibles	(425,488)	-	-	-
Total Net Receivables	$ 5,062,935	$ 273,232	$ 49,095	$ 25,649

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues typically involve property taxes received by year end for the subsequent year. The various components of deferred revenue and unearned revenue reported in the governmental funds at the end of the current fiscal year were as follows:

	Unavailable	Unearned	Total
General Fund:			
Property tax	$ 337,361	$ 4,539,933	$ 4,877,294
Probation fines	640,125	-	640,125
Total	$ 977,486	$ 4,539,933	$ 5,517,419

Note 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Not being depreciated:				
Land	$ 4,510,217	$ -	-	$ 4,510,217
Construction in progress	-	1,498,737	-	1,498,737
	4,510,217	1,498,737	-	6,008,954
Other Capital Assets:				
Land improvements	289,521	-	-	289,521
Buildings	7,472,690	39,042	17,760	7,493,972
Equipment	5,068,748	528,659	247,024	5,350,383
Infrastructure	492,915	63,233	-	556,148
	13,323,874	630,934	264,784	13,690,024
Accumulated Depreciation				
Land improvements	120,405	17,922	10,848	127,479
Buildings	2,345,997	180,898	-	2,526,895
Equipment	3,190,571	502,528	246,558	3,446,541
Infrastructure	138,269	21,540	-	159,809
	5,795,242	722,888	257,406	6,260,724
Net Capital Assets	$ 12,038,849	$ 1,406,783	$ 7,378	$ 13,438,254

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities
General government	$ 45,990
Public Safety	405,074
Public works	172,546
Health and welfare	39,615
Culture/recreation	59,663
Total	$ 722,888

Note 5 – CURRENT AND LONG TERM DEBT

Long-Term Debt

Long-term liability for the year ended December 31, 2011 was as follows:

Description	Beginning Balance	New Debt	Debt Retired	Ending Balance	Amount Due Within 12 Months	Amount Due After 12 Months
Government Activities						
General obligation sales tax bond, 2011 series	$ -	$ 6,200,000	$ -	$ 6,200,000	$ 985,000	$ 5,215,000
Capital leases	97,986	-	97,986	-	-	-
Compensated absences	133,159	176,329	180,078	129,410	129,410	-
	$ 231,145	$ 6,376,329	$ 278,064	$ 6,329,410	$ 1,114,410	$ 5,215,000

Long-Term Debt Descriptions

General obligation sales tax bond, 2011 series: These bonds were issued to fund capital projects. Principal payments are due annually beginning September 1, 2012 and will continue through September 1, 2017. Interest payments are due semi-annually beginning September 1, 2011 and will continue through September 1, 2017. The bonds bear interest at a fixed rate of 2.35%. The original issue totaled $ 6,200,000.

Capital leases: In February of 2009, the County entered into a capital lease to finance the purchase and installation of E-911 public safety equipment. The lease was obtained through United Community Bank and is secured by equipment purchased. The lease was approved for up to $ 235,000, of which $ 205,000 had been drawn as of December 31, 2010. Lease payments of $ 5,927.05 are payable monthly. Interest is charged at a rate of 3.2%. The lease was paid in full in the current year.

Compensated absences: These are liquidated in the general fund for the governmental activities; see Note 1 for a further explanation of compensated absences. The County has reported 100% of the compensated absence liability as due in one year, as the County expects to use earned vacation within one year.

The annual payments required on the general obligation sales tax bond at December 31, 2011 are as follows:

Year Ending December 31,	General obligation sales tax bond		
	Principal	Interest	Total
2012	$ 985,000	$ 137,984	$ 1,122,984
2013	1,000,000	114,719	1,114,719
2014	1,015,000	91,102	1,106,102
2015	1,040,000	67,053	1,107,053
2016	1,065,000	42,418	1,107,418
2017	1,095,000	17,155	1,112,155
	$ 6,200,000	$ 470,431	$ 6,670,431

Note 6 – CONTINGENCIES

There is a contingent liability related to a legal matter involving the claim of a possible property encroachment. The likelihood of a favorable outcome is very remote and the estimated potential liability is at least $ 32,000 and up to $ 150,000. We have recognized a $ 32,000 contingent liability due to this legal matter.

The County is a party to several legal proceedings not mentioned above, which normally occur in governmental operations. As of the date of this financial statement, no awards in these cases have been made against the County. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings would not, in the opinion of management, have a material adverse effect on the ability of the County to meet its financial obligations.

The County receives financial assistance from some federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2011.

Note 7 – INTERFUND AND COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at December 31, 2011, consist of the following amounts and represent cash held in the General Fund for the specified Special Revenue Funds:

Primary Government	Interfund Receivables	Interfund Payables
General Fund	$ 170,796	$ 57,415
Capital Projects Fund	-	150,985
Special Revenue Fund		
E-911 Fund	-	19,811
Drug Fund	54,005	-
Victims Assistance	3,410	-
Totals	$ 228,211	$ 228,211

Interfund transfers from the General Fund to support the operations of the Emergency 911 Center and the Child Development Center, for the year ended December 31, 2011, are as follows:

Fund	Transfers In	Transfers Out	Totals
General Fund	$ -	$ 373,845	$ (373,845)
Emergency 911	274,506	-	274,506
Child Development Center	99,339	-	99,339
Totals	$ 373,845	$ 373,845	$ -

Note 7 – INTERFUND AND COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Supplements paid to Component Unit:

Fund/Component Unit	Paid From	Paid To	Totals
General Fund	$ 143,415	$ -	$ 143,415
Towns County Health Dept.	-	143,415	(143,415)
Totals	$ 143,415	$ 143,415	$ -

Note 8 – RETIREMENT PLANS

Defined Contribution Plan

Plan description

Effective April 1, 1999, the County, by signing an adoption agreement, adopted the Towns County Money Purchase Plan, a defined contribution plan sponsored and administered by The Benefit Marketing Group, Inc. This plan allows employees to participate after completing one year of service.

Funding policy

The County contributes ½% of salary as a base contribution. In addition, for each employee who contributes not less than 4.0% of his compensation to the Towns County Public Employee Deferred Compensation Program, the County will contribute 3.5% of that employee's compensation.

Annual pension cost

The contribution for 2011 was $ 94,085.

Other plans

In addition to the above mentioned pension plan, the following pension and retirement plans cover County employees, but the County is not legally responsible for contributions to those plans. Other governmental entities are legally responsible for these contributions as well as required disclosures.

Georgia Firefighters' Pension Fund

The Georgia Firefighters' Pension Fund is a cost-sharing multiple employer defined benefit pension plan for the purpose of paying retirement benefits to firefighters of the State of Georgia. Any person employed as a firefighter or enrolled as a volunteer firefighter within the State of Georgia is eligible for membership. The County contributes $ 15 per month for employed and volunteer firefighters to the Georgia Firefighters' Pension Fund.

Probate Judges' Retirement Fund of Georgia

The Probate Judge is covered under a pension plan that requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

Clerk of Superior Court Retirement Fund

The Clerk of Superior Court is covered under a pension plan that requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

Note 8 – RETIREMENT PLANS (CONTINUED)

Sheriff's Retirement Fund/Peace Officer's Annuity and Benefit Fund

The Sheriff and Sheriff's Deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures can be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.

Note 9 – GEORGIA MOUNTAIN REGIONAL COMMISSION

Towns County, in conjunction with other cities and counties in the area are members of the Georgia Mountain Regional Commission (GMRC). Membership in the GMRC is automatic for each municipality and county in the state. *The Official Code of Georgia Annotated (OCGA) Section 50-8-34* (Georgia Planning Act of 1989) provides for the organizational structure of the GMRCs. Each county and municipality in the state is required by law to pay minimum annual dues to the GMRC. The County paid annual dues in the amount of $12,128 to the GMRC for the year ended December 31, 2011.

The GMRC Board membership includes the chief elected official of each county and municipality of the area. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (*OCGA 50-8-34*) defines the GMRCs as "public agencies and instrumentalities of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of such an agency beyond its resources (*OCGA 50-8-39.1*).

Separate financial statements may be obtained from: Georgia Mountain Regional Development Center, P.O. Box 1720, Gainesville, Georgia 30503-1720.

Note 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The County landfill is exempt from financial assurance requirements per the Georgia Environmental Protection Division. The Solid Waste Management Rule, section 391-3-4-.13(3), states that local government owners and operators of landfills that were taking less than 100 tons per day that ceased receipt of waste by April 8, 1994 are exempt from financial assurance requirement.

The landfill closed December 31, 2006 and received a closure certificate on August 5, 2008. The County incurred landfill monitoring costs of $ 14,500 in the current year.

Note 11 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters.

Workers' Compensation

The County participates in the Association County Commissioners of Georgia (ACCG) Group Self Insurance Workers' Compensation Fund (GSIWCF), a self-insured pool cooperative arrangement among its members to finance workers' compensation coverage. The fund is owned by its members and is managed by a seven member Board of Trustees who are representatives from participating counties. The ACCG-GSIWCF operates under the authority of *OCGA 34-9-150* et seq. and the Georgia Insurance Commissioner's Office.

Note 11 – RISK MANAGEMENT (CONTINUED)

Workers' Compensation (continued)

The members of ACCG-GSIWCF are assessable if the losses that ACCG must pay exceed the assets of the pool. At December 31, 2011, there was no need for such an assessment. Therefore, no liability for this has been included in these financial statements.

As a part of this risk pool, the County is obligated to pay all contributions and assessments to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by this fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type of loss. The County is also to allow all the pool's agents and attorneys to represent the County in investigations, settlement discussions, and all levels of litigation arising out of any claims made against the County.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's 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 expenditures incurred for investigation, negotiation or defense.

Other

The County participates in the Association County Commissioners of Georgia (ACCG) Interlocal Risk Management Agency (IRMA), a risk sharing arrangement among Georgia County Governments. The fund exists by authority of *OCGA 36-85-1* et seq. Premium liabilities are based on the estimated ultimate cost of settling the claims, including effects of inflation and other society and economic factors. The IRMA Limits of Liability shall not be charged with the first $ 5,000 of any loss for law enforcement claims. Losses up to $ 100,000 per individual claim or $ 1,000,000 for all claims are paid by IRMA. However, excess losses, if any, are covered by reinsurance and would be paid by the re-insurer. The members of IRMA are assessable if the losses that IRMA must pay exceed the assets of the pool. At December 31, 2011, there was no need for such an assessment. Therefore, no liability for incurred but unreported liabilities is needed.

As a part of this risk pool, the County is obligated to pay all contributions and assessments to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by this fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents that could require the fund to pay any type of loss. The County is also to allow all the pool's agents and attorneys to represent the County in investigations, settlements discussions, and all levels of litigation arising out of any claims made against the County.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's 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 expenditures incurred for investigation, negotiation or defense.

The County also purchases combined automobile, crime, liability and property insurance coverage from the ACCG-IRMA. A $ 1,000 deductible applies to each claim. The following is a summary of coverage at December 31, 2011:

Property Losses	$ 5,000,000	Aggregate
Comprehensive General and Law Enforcement Liability	5,000,000	Per Occurrence
Automobile Liability	5,000,000	Per Occurrence
Errors and Omissions	5,000,000	Per Occurrence
	10,000,000	Aggregate
Crime Coverage	150,000	Per Occurrence

Note 11 – RISK MANAGEMENT (CONTINUED)

Other (continued)

The County has no outstanding claims in excess of coverage for which a liability should be recorded as of December 31, 2011. Settled claims in the past four years have not exceeded the coverage.

Note 12 – SIGNIFICANT ESTIMATES

As discussed in Note 1, estimates are used in the preparation of these financial statements. Three estimates qualify as significant estimates in that it is reasonably possible that the estimates will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements. These estimates are as follows:

The estimate for allowance for doubtful accounts related to fines: This estimate is calculated at 35% of the fines due to the County less amounts received in the first 60 days after year end. This estimate will be assessed in future periods and adjusted as necessary based on actual results.

The estimate for allowance for doubtful accounts related to ambulance services: This estimate is calculated at 36.06% based on total insurance adjustments. This estimate will be assessed in future periods based on insurance adjustments.

The estimate for accumulated depreciation on capital assets: This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

Note 13 – HOTEL/MOTEL TAX

During the year ended December 31, 2011, the County had receipts of $ 284,477 based on the tax rate of 5% and spent $ 284,481 to support the Towns County Tourism Authority as prescribed in an intergovernmental agreement with the Authority. Under *OCGA 48-13-51*, collections over the 3% base are restricted for use to promote tourism, conventions, and trade shows. The Towns County Tourism Authority provides reporting to verify compliance with funding restrictions. Restricted funds totaling more than the required $ 170,686 were used for the specified purpose. The County complied with the requirements of this law.

Note 14 – JOINT VENTURES

Towns County participates with Union, Banks and Lumpkin Counties in the North Georgia Waste Management Authority. The Authority studied solid waste disposal issues, developed a plan to recycle waste paper and has leased those facilities to private entities. Towns County has an ongoing financial interest and obligation for funding debt service requirements. The participating counties are annually assessed varying amounts to cover the Authority's inability to service its debt. During the year 2011, Towns County paid $ 20,706 to the Authority. Financial statements for the Authority are available from the Authority at 624 Green Street, Gainesville, Georgia, 30501.

Note 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2012, the date the financial statements were available to be issued.

TOWNS COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 7,381,904	$ 7,381,904	$ 7,805,199	$ 423,295
Licenses and permits	32,000	32,000	50,687	18,687
Fines and forfeitures	272,500	272,500	308,040	35,540
Charges for services	948,500	948,500	1,140,124	191,624
Interest income	50,000	50,000	42,621	(7,379)
Intergovernmental	1,183,464	438,396	688,515	250,119
Contributions and donations	7,000	7,000	47,837	40,837
Other	101,747	101,747	114,914	13,167
TOTAL REVENUES	9,977,115	9,232,047	10,197,937	965,890
EXPENDITURES				
General Government				
General and administrative	890,009	711,059	700,496	10,563
Commissioner	115,500	108,000	102,097	5,903
Tax commissioner	237,150	238,650	238,586	64
Tax assessor	199,350	199,350	184,305	15,045
Election	45,000	70,000	69,547	453
Total General Government	1,487,009	1,327,059	1,295,031	32,028
Public Safety				
Regional expenditures	134,000	141,550	141,505	45
Sheriff	1,469,518	1,245,575	1,223,695	21,880
Jail	244,240	-	-	-
Jail operation	900,000	825,553	787,946	37,607
Fire department	410,000	585,095	585,040	55
Ambulance service	1,060,966	1,080,966	1,049,118	31,848
E.M.A. director	54,015	55,515	53,954	1,561
E-911 Mapping	89,935	89,935	85,265	4,670
Total Public Safety	4,362,674	4,024,189	3,926,523	97,666
Court System				
Probate/Magistrate court	237,000	217,000	192,092	24,908
Clerk of court	214,850	209,850	192,188	17,662
Court - other	329,000	253,500	217,383	36,117
District attorney	60,000	67,500	64,593	2,907
Total Court System	840,850	747,850	666,256	81,594
EXPENDITURE SUBTOTAL	6,690,533	6,099,098	5,887,810	211,288

TOWNS COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
For the Year Ended December 31, 2011

(CONTINUED)	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Public Works				
Road department	921,600	914,628	832,149	82,479
Transfer Station/Landfill	511,000	411,000	389,936	21,064
Recycling	25,800	25,800	20,870	4,930
Total Public Works	1,458,400	1,351,428	1,242,955	108,473
Health and Welfare				
Regional expenditures	841,134	534,366	491,675	42,691
Extension service	21,700	22,300	21,897	403
Transportation service	89,406	84,406	69,212	15,194
Total Health and Welfare	952,240	641,072	582,784	58,288
Recreation and Culture				
Regional expenditures	175,000	132,000	119,243	12,757
Recreation department	292,000	257,000	245,647	11,353
Chatuge campground	88,000	90,000	85,495	4,505
Total Recreation and Culture	555,000	479,000	450,385	28,615
Housing and Development				
Regional expenditures	182,500	460,500	450,138	10,362
Building inspection	69,000	73,500	69,575	3,925
Planning and zoning	20,000	20,000	17,019	2,981
Total Housing and Development	271,500	554,000	536,732	17,268
TOTAL EXPENDITURES	9,927,673	9,124,598	8,700,667	423,932
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	49,442	107,449	1,497,270	
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	7,500	
Transfers in / (out)	(386,600)	(444,607)	(373,845)	
Contingencies / surplus reserves	337,158	337,158	-	
NET CHANGE IN FUND BALANCE	-	-	1,130,925	
	FUND BALANCE, BEGINNING		3,673,601	
	FUND BALANCE, ENDING		$ 4,804,526	

NOTE 1 – BUDGETARY BASIS

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The County does not formally use encumbrance accounting.

All department heads of the government submit requests for appropriation to the government's sole commissioner so that a budget may be prepared. The budget is prepared by fund, function and activity, and line item, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The government's sole commissioner holds public hearings and may add to, subtract from, or change appropriations. The commissioner may amend the line item budget within a department's appropriation. However, expenditures may not legally exceed budgeted appropriations at the department level which is the legal level of control.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

During the current year all functions of the County operated within budgeted appropriations.

TOWNS COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2011

	Tax Commissioner	Clerk of Superior Court	Probate Court	Magistrate Court	Sheriff	Total
ASSETS						
Cash	$ 20,503	$ 33,131	$ 5,842	$ 5,218	$ 53,263	$ 117,957
TOTAL ASSETS	$ 20,503	$ 33,131	$ 5,842	$ 5,218	$ 53,263	$ 117,957
LIABILITIES						
Funds held in trust	$ 20,503	$ 33,131	$ 5,842	$ 5,218	$ 53,263	$ 117,957
TOTAL LIABILITIES	$ 20,503	$ 33,131	$ 5,842	$ 5,218	$ 53,263	$ 117,957

TOWNS COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2011

	Beginning	Additions	Deductions	Ending
ASSETS				
Cash	$ 94,420	$ 5,494,884	$ 5,471,347	$ 117,957
TOTAL ASSETS	$ 94,420	$ 5,494,884	$ 5,471,347	$ 117,957
LIABILITIES				
Funds held in trust	$ 94,420	$ 5,494,884	$ 5,471,347	$ 117,957
TOTAL LIABILITIES	$ 94,420	$ 5,494,884	$ 5,471,347	$ 117,957

TOWNS COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Child Development Center	Emergency 911	Law Library	Drug Fund	Victim's Assistance Fund	Jail Fund	Hotel / Motel Tax Fund	Total
ASSETS								
Cash and cash equivalents	$ 6,834	$ 11,655	$ 20,085	$ -	$ -	$ -	$ 2	$ 38,576
Receivables, net	3,292	41,998	-	-	-	-	-	45,290
Intergovernmental	3,805	-	-	-	-	-	-	3,805
Due from other funds	-	-	-	54,005	3,410	-	-	57,415
TOTAL ASSETS	$ 13,931	$ 53,653	$ 20,085	$ 54,005	$ 3,410	$ -	$ 2	$ 145,086
LIABILITIES								
Accrued liabilities	$ 10,861	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,861
Due to other funds	-	19,811	-	-	-	-	-	19,811
Total liabilities	10,861	19,811	-	-	-	-	-	30,672
FUND BALANCE								
Restricted:								
Special revenue funds	3,070	33,842	20,085	54,005	3,410	-	2	114,414
Total fund balances	3,070	33,842	20,085	54,005	3,410	-	2	114,414
TOTAL LIABILITIES AND FUND BALANCES	$ 13,931	$ 53,653	$ 20,085	$ 54,005	$ 3,410	$ -	$ 2	$ 145,086

TOWNS COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Child Development Center	Emergency 911	Law Library	Drug Fund	Victim's Assistance Fund	Jail Fund	Hotel / Motel Tax Fund	Total
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 284,477	$ 284,477
Fines and forfeitures	-	-	5,659	13,302	7,225	11,397	-	37,583
Charges for services	214,856	197,186	-	-	-	-	-	412,042
Interest income	37	34	-	-	-	-	6	77
Intergovernmental	71,611	-	-	-	-	-	-	71,611
TOTAL REVENUES	$ 286,504	$ 197,220	$ 5,659	$ 13,302	$ 7,225	$ 11,397	$ 284,483	$ 805,790
EXPENDITURES								
Current Operating								
General government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Public safety	-	414,195	-	2,054	-	-	-	416,249
Court system	-	-	3,865	-	5,420	11,397	-	20,682
Public works	-	-	-	-	-	-	-	-
Health and welfare	403,987	-	-	-	-	-	-	403,987
Housing and development	-	-	-	-	-	-	284,481	284,481
Capital Outlay								-
Debt Service								
Principal	-	97,986	-	-	-	-	-	97,986
Interest	-	1,390	-	-	-	-	-	1,390
TOTAL EXPENDITURES	403,987	513,571	3,865	2,054	5,420	11,397	284,481	1,224,775
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(117,483)	(316,351)	1,794	11,248	1,805	-	2	(418,985)
OTHER FINANCING SOURCES (USES)								
Proceeds from financing	-	-	-	-	-	-	-	-
Transfers in (out)	99,339	274,506	-	-	-	-	-	373,845
TOTAL OTHER FINANCING SOURCES	99,339	274,506	-	-	-	-	-	373,845
NET CHANGE IN FUND BALANCES	(18,144)	(41,845)	1,794	11,248	1,805	-	2	(45,140)
FUND BALANCE, BEGINNING	21,214	75,687	18,291	42,757	1,605	-	-	159,554
FUND BALANCE, ENDING	$ 3,070	$ 33,842	$ 20,085	$ 54,005	$ 3,410	$ -	$ 2	$ 114,414

TOWNS COUNTY, GEORGIA
SPECIAL LOCAL OPTIONS SALES TAX 2011 SERIES
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL SALES TAX PROCEEDS
BUDGET AND ACTUAL - PROJECT TO DATE
From Inception Through December 31, 2011

PROJECT	Project Budget	Prior Year Project to Date	Current Year	Total	Percent Complete
Capital Projects:					
Roads and Bridges	$ 2,359,000	$ -	$ 398,325	$ 398,325	17%
Fire	1,450,000	-	471,109	471,109	32%
Park Development/Multipurpose Community Center	4,950,000	-	720,946	720,946	15%
Library	200,000	-	-	-	0%
Economic Development	400,000	-	-	-	0%
Water/Sewer	450,000	-	-	-	0%
Public Safety Vehicles	450,000	-	6,474	6,474	1%
City of Hiawasse Allocation	1,143,000	-	15,260	15,260	1%
City of Young Harris Allocation	1,143,000	-	15,260	15,260	1%
Total Capital Projects:	12,545,000	-	1,627,374	1,627,374	13%
Debt Service - Bond Issuance Costs	155,000	-	129,881	129,881	84%
Debt Service - Principal	6,200,000	-	-	-	0%
Debt Service - Interest	557,851	-	87,420	87,420	16%
Total	$ 19,457,851	$ -	$ 1,844,675	$ 1,844,675	9%

June 29, 2012

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

To the Commissioner
Towns County, Georgia
Hiawassee, Georgia

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Towns County, Georgia, as of and for the year ended December 31, 2011 and 2010, which collectively comprise Towns County, Georgia's basic financial statements, and have issued our report thereon dated June 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of Towns County Health Department, those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included are based on the report of the other auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

302 Bradford St. NW Gainesville, GA 30501 (770) 536-0511 Fax (770) 536-7565 alexanderalmand.com
Members of: The Georgia Society of Certified Public Accountants The American Institute of Certified Public Accountants

Compliance and Other Matters

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

We noted certain matters that we reported to management of Towns County, Georgia in a separate letter dated June 29, 2012.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Alexander, Aaron & Bray, CPA

Towns County, GA

Certification of 9-1-1 Expenditures

For the Year Ended
December 31, 2011

Line No.			
1	Indicate UCOA Fund Type Used to Account for 9-1-1 Activity (choose one):		
	__X__ Special Revenue Fund ____ Enterprise Fund		
	Expenditures (UCOA Activity 3800)		
2	Wireless service supplier cost recovery charges (identify each supplier individually on lines below - attach list, if necessary)	[redacted]	
	_____		$ _____
	_____		$ _____
	_____		$ _____
3	Emergency telephone equipment, including necessary computer hardware, software, and data base provisioning, addressing, and nonrecurring costs of establishing a 9-1-1 system:		
3a	Lease costs	[redacted]	$ _____
3b	Purchase costs	[redacted]	$ _____
3c	Maintenance costs	[redacted]	$ _____
4	Rates associated with the service suppliers 9-1-1 service and other service suppliers recurring charges	[redacted]	$ _____
5	Employees hired by the local government solely for the operation and maintenance of the emergency 9-1-1 system and employees who work as directors as defined in O.C.G.A. §46-5-138.2		
5a	Salaries and wages	[redacted]	$ 238,922
5b	Employee benefits	[redacted]	$ 47,290
6	Cost of training of employees who work as dispatchers or directors	[redacted]	$ 431
7	Office supplies of the public safety answering points used directly in providing emergency 9-1-1 system services	[redacted]	$ 1,566
8	Building used as a public safety answering point:		
8a	Lease costs	[redacted]	$ _____
8b	Purchase costs	[redacted]	$ _____
9	Computer hardware and software used at a public safety answering point, including computer assisted dispatch systems and automatic vehicle location systems:		
9a	Lease costs	[redacted]	$ 99,376
9b	Purchase costs	[redacted]	$ _____
9c	Maintenance costs	[redacted]	$ _____

Towns County, GA

Certification of 9-1-1 Expenditures

For the Year Ended
December 31, 2011

Line No.		[redacted]	
10	Supplies directly related to providing emergency 9-1-1 system services, including the cost of printing emergency 9-1-1 public education materials	[redacted]	$
11	Logging recorders used at a public safety answering point to record telephone and radio traffic:		
11a	Lease costs	[redacted]	$
11b	Purchase costs	[redacted]	$
11c	Maintenance costs	[redacted]	$
12	Insurance purchased to insure against risks and liability in the operation and maintenance of the 9-1-1 system on behalf of the local government or on behalf of employees hired by the local government solely for the operation and maintenance of the 9-1-1 system and employees who work as directors	[redacted]	$
13	Mobile communications vehicle and equipment, if the primary purpose and designation of such vehicle is to function as a backup 9-1-1 system center		
13a	Lease costs	[redacted]	$
13b	Purchase costs	[redacted]	$
13c	Maintenance costs	[redacted]	$
14	Allocation of indirect costs associated with supporting the 9-1-1 system center and operations as identified and outlined in an indirect cost allocation plan approved by the local governing authority that is consistent with the costs allocated within the local government to both governmental and business-type activities	[redacted]	$
15	Mobile public safety voice and data equipment, geo-targeted test messaging alert systems, or towers necessary to carry out the function of 9-1-1 system operations		
15a	Lease costs	[redacted]	$
15b	Purchase costs	[redacted]	$
15c	Maintenance costs	[redacted]	$
16	Public safety voice and data communications systems located in the 9-1-1 system facility that further the legislative intent of providing the highest level of emergency response service on a local, regional, and state-wide basis, including equipment and associated hardware and software that supports the use of public safety wireless voice and data communication systems		
16a	Lease costs	[redacted]	$
16b	Purchase costs	[redacted]	$
16c	Maintenance costs	[redacted]	$

Towns County, GA

Certification of 9-1-1 Expenditures

For the Year Ended
December 31, 2011

Line No.		
17	Other expenditures not included in Lines 2 through 16 above. Identify by object and purpose.	
	ADVERTISING	$ 450
	BUILDING MAINTENANCE EXPENDITURES	$ 1,839
	TELEPHONE EXPENDITURES	$ 62,476
	OFFICE EXPENDITURES	$ 4,480
	RADIO AND MAPPING EXPENDITURES	$ 2,330
	UTILITIES EXPENDITURES	$ 14,121
	EQUIPMENT MAINTENANCE EXPENDITURES	$ 40,292
		$
18	Total Expenditures (total of all amounts reported on Lines 2 through 17 above)	$ 513,571

Certification of Local Government Officials

I have reviewed the information presented in this report and certify that it is accurate and correct. I further certify that the 9-1-1 funds were expended in compliance with the expenditure requirements specified in the Official Code of Georgia Annotated (OCGA), Section 46-5-134. I understand that, in accordance with OCGA Section 46-5-134(m)(2), any local government which makes expenditures not in compliance with this Code section may be held liable for pro rata reimbursement to telephone and wireless telecommunications subscribers of amounts improperly expended. Further, the noncompliant local government shall be solely financially responsible for the reimbursement and for any costs associated with the reimbursement. Such reimbursement shall be accomplished by the service providers abating the imposition of the 9-1-1 charges and 9-1-1 wireless enhanced charges until such abatement equals the total amount of the rebate.

Signature of Chief Elected Official Bill Kendall Date 6/28/2012

Print Name of Chief Elected Official BILL KENDALL

Title of Chief Elected Official COMMISSIONER

Signature of Chief Financial Officer Andrea Anderson Date 6/28/2012

Print Name of Chief Financial Officer ANDREA ANDERSON