TOWNS COUNTY, GEORGIA

HIAWASSEE, GEORGIA

# FINANCIAL STATEMENTS
# WITH SUPPLEMENTAL MATERIAL

FOR THE YEAR ENDED

DECEMBER 31, 2016

TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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TOWNS COUNTY, GEORGIA
FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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# INDEPENDENT AUDITOR'S REPORT

To the County Commissioner
Towns County, Georgia

We have audited the accompanying financial statements of the governmental activities, the aggregate 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***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 did not audit the financial statements of the Towns County Health Department, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component units. 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. 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, 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 unit, each major fund, and the aggregate remaining fund information of Towns County, Georgia, as of December 31, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, budgetary comparison information on pages 29-30 and the notes to required supplementary information on page 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.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Towns County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of projects constructed with special sales tax proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 32-35 and the schedule of projects constructed with special sales tax proceeds on page 36 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 schedules and schedule of projects constructed with special sales tax proceeds 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 June 16, 2017, 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 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 Towns County, Georgia's internal control over financial reporting and compliance.

*Alexander, Almand & Bangs, LLP*

Alexander, Almand and Bangs, LLP
Gainesville, Georgia
June 16, 2017

Management's discussion and analysis provides an objective and easily readable analysis of the Government's financial activities for the year ended December 31, 2016. 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 $ 25,426,377 (net position).
- The government's total net position increased $ 1,816,533 for the current year, a 7.1% increase. The increase occurred due to continued practice of the conservative fiscal policies adopted by the former County Commissioner. As the County begins to experience a slight economic rejuvenation, the newly elected County Commissioner will continue these policies to maintain the financial health of the County. The increase can also be attributed to the SPLOST referendum that was passed and began in 2011. The referendum has provided additional funding for much needed capital expenditures. The SPLOST referendum will end June 30, 2017.
- The greatest portion of the County's general fund operating reserves have been invested in long-term Certificates of Deposits (CD's). The reserves were placed into CD's because the CD's will generate more interest income due to their higher interest rates. Any remaining reserves, the SPLOST fund, and the nonmajor funds are held in interest bearing bank accounts when applicable. These accounts provided the County with $ 24,426 of interest income during the 2016 fiscal 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 Position and the Statement of Activities. Emphasis is placed on the net position of governmental activities and the change in net position. 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 position present the County's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Over time the change in net position is an indicator of the improvement (an increase) or deterioration (a decrease) in the County's financial condition.

The statement of activities present the revenues and expenditures of the County. The difference between these is the change in net position 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, 2016 and 2015 respectively, the County's assets exceeded liabilities by $ 25,426,377 and $ 23,609,844. The largest portion of the County's net position 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 Position as of December 31, 2016 and 2015**

| | Governmental Activities | |
|---|---|---|
| | 2016 | 2015 |
| Current and other assets | $ 11,381,131 | $ 10,645,508 |
| Capital assets | 19,584,013 | 19,743,444 |
| Total assets | 30,965,144 | 30,388,952 |
| Deferred outflow of resources | - | - |
| Noncurrent liabilities outstanding | 1,215,964 | 1,095,000 |
| Other liabilities | 248,789 | 1,571,652 |
| Total liabilities | 1,464,753 | 2,666,652 |
| Deferred inflow of resources | 4,074,014 | 4,112,456 |
| Net position: | | |
| Net investment in capital assets | 18,489,013 | 17,583,444 |
| Restricted | 1,369,644 | 1,187,287 |
| Unrestricted | 5,567,720 | 4,839,113 |
| Total net position | $ 25,426,377 | $ 23,609,844 |

**Changes in Net Position**

The County's total revenues before transfers for fiscal year ended December 31, 2016 totaled $ 12,860,069. Expenditures were $ 11,043,536 with an overall change in net position of $ 1,816,533.

**Changes in Net Position**

| | Governmental Activities | |
|---|---|---|
| | **2016** | **2015** |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | $ 3,365,113 | $ 3,141,194 |
| Operating grants and contributions | 463,051 | 355,542 |
| Capital grants and contributions | 274,382 | 202,037 |
| General revenues: | | |
| Property taxes | 4,483,218 | 3,766,327 |
| Sales tax | 3,123,227 | 3,040,920 |
| Other taxes | 1,124,998 | 1,127,389 |
| Unrestricted investment earnings | 24,426 | 27,456 |
| Miscellaneous | 1,654 | 538 |
| Total Revenues | 12,860,069 | 11,661,403 |
| Expenditures: | | |
| General government | 1,792,377 | 1,692,136 |
| Public safety | 4,812,716 | 4,494,560 |
| Court system | 760,859 | 757,919 |
| Health and welfare | 883,762 | 780,351 |
| Recreation and culture | 843,372 | 807,648 |
| Public works | 1,347,516 | 1,311,987 |
| Housing and development | 560,517 | 499,466 |
| Interest on long-term debt | 42,417 | 67,054 |
| Total Expenditures | 11,043,536 | 10,411,121 |
| Increase in net position | 1,816,533 | 1,250,282 |
| Change in net position | 1,816,533 | 1,250,282 |
| Net position, January 1 | 23,609,844 | 22,359,562 |
| Net position, December 31 | $ 25,426,377 | $ 23,609,844 |

## 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, 2016, the General Fund had assets of $ 9,997,543, liabilities of $ 234,845, and deferred inflows of resources of $ 5,391,427.

The final budget for the General Fund decreased by $ 44,842 from fiscal year 2015 to fiscal year 2016 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 Local 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 Local 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, 2016, the SPLOST Fund had assets of $ 1,158,731 and liabilities of $ 209,856. The projects are estimated to be 77% complete as of December 31, 2016.

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 2016, the County's investment in capital assets decreased by $ 159,431 net of depreciation. The County spent $ 734,286 in capital outlay (which included $ 78,685 in the SPLOST fund, $ 361,555 in nonmajor funds, and $ 294,046 in the general fund), and adjustments for depreciation were $ 893,717 and $ 10,285,904 accumulated depreciation for its governmental activities. The County allocated SPLOST funds of $ 311,636 to the City of Hiawassee and the City of Young Harris, equally. See the Schedule of Projects Constructed with Special Sales Tax Proceeds for further detail. The County completed and placed into service multiple projects, which in prior years have been considered in progress and not fully functional. These assets have a combined value of $ 327,069. The County did not dispose of any depreciable capital assets during 2016. Further detail on capital assets is provided in the notes to the financial statements.

**Capital Assets at Year-end**

| | Governmental Activities | |
|---|---|---|
| | 2016 | 2015 |
| Land | $ 4,540,787 | $ 4,510,217 |
| Construction in progress | 2,030,783 | 2,133,460 |
| Land improvements | 655,264 | 370,581 |
| Buildings | 13,820,139 | 13,752,877 |
| Equipment | 6,217,660 | 6,167,708 |
| Infrastructure | 2,605,284 | 2,200,788 |
| Total | $ 29,869,917 | $ 29,135,631 |

The following reconciliation summarizes the change in Capital Assets:

| | Governmental Activities | |
|---|---|---|
| | 2016 | 2015 |
| Beginning Balance: | $ 29,135,631 | $ 28,047,009 |
| Additions: | | |
| Land | 30,570 | - |
| Construction in Progress | 224,392 | 349,741 |
| Land improvements | 284,683 | 81,060 |
| Buildings | 67,262 | 1,271,583 |
| Equipment | 49,952 | 349,006 |
| Infrastructure | 404,496 | 1,063,917 |
| Dispositions/Placed in Service: | | |
| Land | - | - |
| Construction in Progress | (327,069) | (1,956,894) |
| Land improvements | - | - |
| Buildings | - | - |
| Equipment | - | (69,791) |
| Infrastructure | - | - |
| Total Capital Assets at Year-end | $ 29,869,917 | $ 29,135,631 |

## OBLIGATIONS

During 2011, the County issued a general obligation sales tax bond to fund capital projects. The original bond issue totaled $ 6,200,000 with a fixed interest rate of 2.35%. Principal payments became due annually beginning September 1, 2012 and will continue through September 1, 2017. Semi-annual interest payments became due beginning September 1, 2011 and will continue through September 1, 2017. As of December 31, 2016 and 2015, the balance of the bond was $ 1,095,000 and $ 2,160,000, respectively. Further detail on obligations is provided in the notes to the financial statements.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund actual revenues of $ 9,794,948 exceeded budgeted revenues of $ 9,478,691. Surplus reserves of $ 35,000 were budgeted in 2016. Use of budgeted surplus reserves was unnecessary in 2016.

General Fund expenditures (before transfers) were less than budgeted. With total appropriations of $ 9,478,691, and budgeted expenditures before transfers of $ 9,062,191, the County actually spent $ 8,693,007 or $ 369,184 less than budgeted, for the year ending December 31, 2016. 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 2017 includes $ 9,458,934 for general operations and equipment and another $ 437,800 in special earmarked funds including the LMIG Grant, hotel/motel tax collected and disbursed, and the D.A.T.E funds for a total of $ 9,896,734.

## 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 POSITION
December 31, 2016

| | PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | June 30, 2016 COMPONENT UNIT HEALTH DEPARTMENT |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 5,061,252 | $ 132,677 |
| Investments | 2,500,000 | - |
| Receivables, net of allowance for uncollectable | 3,691,939 | 25,405 |
| Prepaid items | 127,940 | - |
| Total Current Assets | 11,381,131 | 158,082 |
| Capital Assets | | |
| Capital assets not being depreciated: | | |
| Land | 4,540,787 | - |
| Construction in progress | 2,030,783 | - |
| Capital assets being depreciated: | | |
| Land improvements, depreciable | 655,264 | - |
| Buildings and improvements | 13,820,139 | - |
| Furniture and equipment | 1,780,072 | - |
| Vehicles and heavy equipment | 4,437,588 | - |
| Infrastructure | 2,605,284 | - |
| Accumulated depreciation | (10,285,904) | - |
| Capital Assets, net of depreciation | 19,584,013 | - |
| TOTAL ASSETS | $ 30,965,144 | $ 158,082 |
| Deferred outflow of resources | - | - |

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

TOWNS COUNTY, GEORGIA
STATEMENT OF NET POSITION
December 31, 2016

| | PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | June 30, 2016 COMPONENT UNIT HEALTH DEPARTMENT |
|---|---|---|
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | $ 104,971 | $ 73 |
| Accrued liabilities | 135,241 | - |
| Accrued interest | 8,577 | - |
| Compensated absences | - | 34,841 |
| Total Current Liabilities | 248,789 | 34,914 |
| Noncurrent liabilities | | |
| Due within one year | | |
| Compensated absences payable | 120,964 | 19,598 |
| Bond Payable | 1,095,000 | - |
| Net pension liability | - | 435,243 |
| Total Noncurrent Liabilities | 1,215,964 | 454,841 |
| TOTAL LIABILITIES | 1,464,753 | 489,755 |
| Deferred inflow of resources | 4,074,014 | 48,374 |
| NET POSITION | | |
| Net investment in capital assets | 18,489,013 | - |
| Restricted for capital projects | 948,875 | - |
| Restricted for special revenues | 420,769 | - |
| Unrestricted | 5,567,720 | (380,047) |
| TOTAL NET POSITION | $ 25,426,377 | $ (380,047) |

TOWNS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenditures | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General government | $ 1,792,377 | $ 141,972 | $ 132,432 | $ - |
| Public safety | 4,812,716 | 670,612 | 131,186 | - |
| Court system | 760,859 | 1,615,016 | 57,927 | - |
| Health and welfare | 883,762 | 253,114 | 55,188 | - |
| Recreation and culture | 843,372 | 237,574 | - | - |
| Public works | 1,347,516 | 399,215 | 86,318 | 274,382 |
| Housing and development | 560,517 | 47,610 | - | - |
| Interest and paying agent fees | 42,417 | - | - | - |
| Total Primary Government | $ 11,043,536 | $ 3,365,113 | $ 463,051 | $ 274,382 |
| Component Units: | | | | |
| Towns County Health Department | $ 396,934 | $ 133,976 | $ 340,496 | $ - |
| Total Component Units | $ 396,934 | $ 133,976 | $ 340,496 | $ - |

GENERAL REVENUES:
Taxes
Property taxes
Sales taxes
Other taxes
Investment earnings
Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

NET POSITION, BEGINNING (ORIGINAL)

SPECIAL ITEM: PRIOR PERIOD ADJUSTMENT

NET POSITION, BEGINNING (RESTATED)

NET POSITION, 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, 2016

| Net (Expenditure) Revenue and Changes in Net Position | June 30, 2016 |
|---|---|
| Primary Government | Component Unit |
| Governmental Activities | Towns County Health Dept. |
| $ (1,517,973) | |
| (4,010,918) | |
| 912,084 | |
| (575,460) | |
| (605,798) | |
| (587,601) | |
| (512,907) | |
| (42,417) | |
| $ (6,940,990) | |
| | $ 77,538 |
| | $ 77,538 |
| $ 4,483,218 | $ - |
| 3,123,227 | - |
| 1,124,998 | - |
| 24,426 | - |
| 1,654 | - |
| 8,757,523 | - |
| 1,816,533 | 77,538 |
| 23,609,844 | (497,942) |
| - | 40,357 |
| 23,609,844 | (457,585) |
| $ 25,426,377 | $ (380,047) |

TOWNS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

| | General | SPLOST and Bond Construction | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | $ 3,694,299 | $ 904,880 | $ 462,073 | $ 5,061,252 |
| Investments | 2,500,000 | - | - | 2,500,000 |
| Receivables, net of allowance for uncollectable | 3,417,076 | 253,851 | 21,012 | 3,691,939 |
| Due from other funds | 258,228 | - | 1,385 | 259,613 |
| Prepaid items | 127,940 | - | - | 127,940 |
| TOTAL ASSETS | $ 9,997,543 | $ 1,158,731 | $ 484,470 | $ 11,640,744 |
| LIABILITIES | | | | |
| Accounts payable | $ 104,971 | $ - | $ - | $ 104,971 |
| Accrued liabilities | 128,489 | - | 6,752 | 135,241 |
| Accrued interest | - | 8,577 | - | 8,577 |
| Due to other funds | 1,385 | 201,279 | 56,949 | 259,613 |
| Total liabilities | 234,845 | 209,856 | 63,701 | 508,402 |
| DEFERRED INFLOW OF RESOURCES | 5,391,427 | - | - | 5,391,427 |
| FUND BALANCE | | | | |
| Non-spendable: | | | | |
| Prepaid items | 127,940 | - | - | 127,940 |
| Restricted: | | | | |
| Capital project funds | - | 948,875 | - | 948,875 |
| Special revenue funds | - | - | 420,769 | 420,769 |
| Unassigned: | 4,243,331 | - | - | 4,243,331 |
| Total fund balances | 4,371,271 | 948,875 | 420,769 | 5,740,915 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE | $ 9,997,543 | $ 1,158,731 | $ 484,470 | $ 11,640,744 |

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

TOWNS COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2016

| | | |
|---|---|---|
| Total fund balances for governmental funds: | | $ 5,740,915 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. | | 19,584,013 |
| Certain revenues reported on the Statement of Acitivies are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | 1,317,413 |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences payable | (120,964) | |
| Bond payable | (1,095,000) | (1,215,964) |
| Rounding | | - |
| | | $ 25,426,377 |

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, 2016

| | General | SPLOST and Bond Construction | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 7,446,267 | 1,733,780 | $ 415,981 | $ 9,596,028 |
| Licenses and permits | 47,610 | - | - | 47,610 |
| Fines and forfeitures | 161,264 | - | 47,378 | 208,642 |
| Charges for services | 1,492,363 | - | 437,679 | 1,930,042 |
| Interest income | 18,518 | 5,005 | 903 | 24,426 |
| Intergovernmental | 374,280 | - | 329,570 | 703,850 |
| Contributions and donations | 22,605 | - | - | 22,605 |
| Other | 232,041 | - | - | 232,041 |
| TOTAL REVENUES | 9,794,948 | 1,738,785 | 1,231,511 | 12,765,244 |
| EXPENDITURES | | | | |
| Current Operating | | | | |
| General government | 1,439,869 | - | - | 1,439,869 |
| Public safety | 3,980,780 | - | 515,359 | 4,496,139 |
| Court system | 729,406 | - | 30,828 | 760,234 |
| Public works | 1,197,840 | - | - | 1,197,840 |
| Health and welfare | 411,873 | - | 400,599 | 812,472 |
| Recreation and culture | 823,356 | - | - | 823,356 |
| Housing and development | 109,883 | - | 452,097 | 561,980 |
| Capital Outlay | - | 78,685 | 361,555 | 440,240 |
| Intergovernmental | - | 311,636 | - | 311,636 |
| Debt Service: Principal | - | 1,065,000 | - | 1,065,000 |
| Debt Service: Interest | - | 42,417 | - | 42,417 |
| TOTAL EXPENDITURES | 8,693,007 | 1,497,738 | 1,760,438 | 11,951,183 |
| EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES | 1,101,941 | 241,047 | (528,927) | 814,061 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (out) | (470,237) | - | 470,237 | - |
| TOTAL OTHER FINANCING SOURCES | (470,237) | - | 470,237 | - |
| NET CHANGE IN FUND BALANCES | 631,704 | 241,047 | (58,690) | 814,061 |
| FUND BALANCE, BEGINNING | 3,739,567 | 707,828 | 479,459 | 4,926,854 |
| FUND BALANCE, ENDING | $ 4,371,271 | $ 948,875 | $ 420,769 | $ 5,740,915 |

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, 2016

| | | |
|---|---|---|
| Net change in fund balances | | $ 814,061 |
| Amounts reported for governmental activities in the statement of activities are different as a result of: | | |
| 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 | 734,286 | |
| Depreciation expense | (893,717) | (159,431) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | 125,171 | |
| Fines | 1,192,242 | 1,317,413 |
| Revenues reported in the funds that relate to prior years are not reported as revenues in the statement of activities. | | |
| Property Taxes | (73,433) | |
| Fines | (1,149,144) | (1,222,577) |
| Governmental funds do not include the expense of compensated absences liabilities, which are reflected in the statement of net position. | | |
| Current year liability - compensated absences | (120,964) | |
| Prior year liability - compensated absences | 123,031 | 2,067 |
| 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 position. | | 1,065,000 |
| | | $ 1,816,533 |

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, 2016

| | Agency Funds |
|---|---|
| ASSETS | |
| Cash | $ 497,698 |
| TOTAL ASSETS | $ 497,698 |
| Deferred outflow of resources | - |
| LIABILITIES | |
| Funds held in trust | $ 497,698 |
| TOTAL LIABILITIES | $ 497,698 |
| Deferred inflow of resources | - |

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.

### Reporting Entity

Towns County, Georgia is a political subdivision of the State of Georgia governed by an elected commissioner. As required by generally accepted accounting principles, these financial statements present the County and its component units, entities for which the county is considered to be financially accountable. The County has one discretely presented component unit, the Towns County Health Department. The 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.

### Discretely Presented Component Unit

The Towns County Health Department issues separate financial statements which have a June 30 year-end as required by state statutes. 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 which consists of seven members, most of which are appointed by the County's administration. The Health Department is dependent upon the County because the County approves the Health Department's budget, and the County has the ability to impose will upon the Health Department. During 2016, the County supplemented the Health Department's budget in the amount of $ 138,000. The Health Department is presented as a governmental fund type.

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

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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 statements 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 1) charges to customers or applicants 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 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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.

The *SPLOST and Bond Construction Fund* is the government's Special Purpose Local Option Sales Tax capital projects fund that accounts for the receipts and disbursements of (1%) sales tax 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 nonmajor governmental funds are combined and reported in a single column in the fund financial statements.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the government reports *agency funds*. 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. Due to its characteristics, agency funds are categorized overall as *Fiduciary funds:* funds that account for assets held by the government in a trustee capacity or as an agent on behalf of others.

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. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

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 Position 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. Investments are recorded at fair valued based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

#### *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".

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 October 22, 2016 and were due January 10, 2017. Interest of 1% per month is assessed on taxes not paid by this date. The taxes are subject to lien after January 10, 2017. A penalty of 10% is assessed on taxes not paid by this date.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Receivables and Payables (Continued)*

The County's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the County.

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 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 |

### *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). The County does not have any items in the current year that qualify for reporting in this category.

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 one type of item that qualifies for reporting in this category: unavailable revenue. Unavailable revenue only arises under the modified accrual basis of accounting. Accordingly, it is reported only in the governmental funds balance sheet and consists of unavailable revenues from two sources: property taxes and special assessments (fines).

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *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 employee for the benefits through paid time off or some other means. The total compensated absence liability is reported on the government-wide financial statements.

### *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 position. There are no current year long-term obligations for the County.

### *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 Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are reported in two main components as reserved and unreserved, but can be classified more specifically as follows:

- *Non-spendable (reserved)* – Fund balances that cannot be spent either because it is not in spendable form (such as inventory) or because of legal or contractual constraints.

- *Restricted (reserved)* – Fund balances that are constrained by limitation imposed either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- *Committed* (reserved) – Fund balances that are used only for specific purposes pursuant to constraints imposed by formal action of the Commissioner through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Commissioner must adopt another resolution.

- *Assigned* (reserved) – Fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The Commissioner may authorize the County's Finance Director to assign fund balances.

- *Unassigned* (unreserved) – Fund balance that consists of the residual amount when the balances do not meet any of the above criterion. Only positive unassigned fund balances are reported in the General Fund. Negative fund balances may be reported in other governmental funds.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Fund Equity (Continued)*

When both reserved and unreserved resources are available for use, the County's unofficial policy is to use restricted or committed amounts first, unless there are restrictions that prohibit doing this, such as a grant agreement or government regulation. If not able to use restricted funds, use would flow secondly to committed, then assigned, and lastly unassigned resources as they are needed. The County does not have a formal minimum fund balance policy.

### *Reclassifications*

Certain accounts may be reclassified for comparative purposes to in order to conform to the presentation of the current year financial statements.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### *Deposits*

Custodial credit risk for deposits 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, 2016.

Under Georgia statutes, the County must have at least 110% of deposits collateralized. Either the dedicated method or the pooled method of securing deposits of public funds may be used and are described as follows:

*Dedicated Method* - a depository shall secure the deposits of each of these public depositors separately.

*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.

The County utilizes the pooled method to secure its deposits.

### *Investments*

State statues authorize the County to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. The County does not have an individualized investment policy that would limit investment choices beyond statutes. As of December 31, 2016, the County maintained funds in Certificates of Deposit (CD's) of banks insured by FDIC. Investment CD's are presented on both the government-wide statement of net position and government funds balance sheet in the amount of $ 2,500,000. The CD's are nonnegotiable time deposits that mature within 1 to 2 years automatically and earn interest at a rate of .5 to 2.5% annually.

**NOTE 3 – RECEIVABLES**

Receivables as of the year end for the County's individual major funds and nonmajor governmental funds in the aggregate, 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 | $ 1,832,353 | $ - | $ - | $ - |
| Other taxes | 206,674 | 253,851 | - | - |
| Ambulance | 161,192 | - | - | - |
| Fines | 1,834,218 | - | - | - |
| Other accounts | 77,933 | - | 21,012 | 25,405 |
| Intergovernmental | 35,338 | - | - | - |
| Total Gross Receivables | 4,147,708 | 253,851 | 21,012 | 25,405 |
| Allowances for uncollectibles | (730,632) | - | - | - |
| Total Net Receivables | $ 3,417,076 | $ 253,851 | $ 21,012 | $ 25,405 |

Government funds report unavailable and unearned revenue as deferred inflow of resources. Unavailable revenue is receivables that are not considered to be available to liquidate liabilities of the current period. Unearned revenue is resources that have been received but not yet earned. Unearned revenues typically involve property taxes and fines received by year end for the subsequent year.

The various components of deferred inflow of resources reported in the governmental funds at the end of the current fiscal year were as follows:

| | Unavailable | Unearned | Total |
|---|---|---|---|
| General Fund: | | | |
| Property tax | $ 125,171 | $ 4,074,014 | $ 4,199,185 |
| Probation fines | 1,192,242 | - | 1,192,242 |
| Total | $ 1,317,413 | $ 4,074,014 | $ 5,391,427 |

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

| Not being depreciated: | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Land | $ 4,510,217 | $ 30,570 | - | $ 4,540,787 |
| Construction in progress | 2,133,460 | 224,392 | 327,069 | 2,030,783 |
| | 6,643,677 | 254,962 | 327,069 | 6,571,570 |
| Other Capital Assets: | | | | |
| Land improvements | 370,581 | 284,683 | - | 655,264 |
| Buildings | 13,752,877 | 67,262 | - | 13,820,139 |
| Equipment | 6,167,708 | 49,952 | - | 6,217,660 |
| Infrastructure | 2,200,788 | 404,496 | - | 2,605,284 |
| | 22,491,954 | 806,393 | - | 23,298,347 |
| Accumulated Depreciation | | | | |
| Land improvements | 185,151 | 30,195 | - | 215,346 |
| Buildings | 3,607,003 | 400,476 | - | 4,007,479 |
| Equipment | 5,213,301 | 346,154 | - | 5,559,455 |
| Infrastructure | 386,732 | 116,892 | - | 503,624 |
| | 9,392,187 | 893,717 | - | 10,285,904 |
| Net Capital Assets | $ 19,743,444 | $ 167,638 | $ 327,069 | $ 19,584,013 |

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

| Governmental Activities | |
|---|---|
| General government | $ 34,807 |
| Public Safety | 394,503 |
| Public works | 153,077 |
| Health and welfare | 71,339 |
| Culture/recreation | 239,991 |
| Total | $ 893,717 |

## NOTE 5 – DEBT OBLIGATIONS

### *Sales Tax Bond*

The following are debt obligations as of December 31, 2016:

| Description | Beginning Balance | New Debt | Debt Retired | Ending Balance | Amount Due Within 12 Months |
|---|---|---|---|---|---|
| **Government Activities** | | | | | |
| General obligation sales tax bond, 2011 series | $2,160,000 | $ - | $1,065,000 | $1,095,000 | $1,095,000 |
| Compensated absences | 123,031 | 184,796 | 186,863 | 120,964 | 120,964 |
| | $2,283,031 | $ 184,796 | $1,251,863 | $1,215,964 | $1,215,964 |

Debt obligations for the County are all due within one year. General obligation sales tax bond, 2011 series are bonds that were issued to fund capital projects under the Special Purpose Local Option Sales Tax (SPLOST). Principal payments became due annually beginning September 1, 2012 and will continue through September 1, 2017. Interest payments became 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 general obligation issue cost was $ 6,200,000.

The County has budgeted to pay the remaining obligation of $ 1,095,000 in principal and $ 17,155 in interest during the 2017 fiscal year, on the general obligation sales tax bond.

### *Compensated Absences*

Compensated absences 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 projects that a majority of employees will use compensated absences earned within one year.

## NOTE 6 – INTERFUND AND COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balance at December 31, 2016, is as follows:

| Primary Government | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ 258,228 | $ 1,385 |
| Capital Projects Fund | - | 201,279 |
| Special Revenue Fund | | |
| Hotel-Motel Fund | - | 3,489 |
| LMIG Fund | - | 53,460 |
| Victims Assistance | 1,385 | - |
| Totals | $ 259,613 | $ 259,613 |

**NOTE 6 – INTERFUND AND COMPONENT UNIT RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)**

These balances resulted from: the time lag between the dates that interfund goods and services and services are provided or reimbursable expenditures occur; the time lag between the dates that transactions are recorded in the accounting system; the time lag between the dates that payments between funds are made; or to fund capital projects.

Interfund transfers as of the year ended December 31, 2016, are as follows:

| Fund | Transfers In | Transfers Out | Totals |
|---|---|---|---|
| General Fund | $ - | $ 470,237 | $ (470,237) |
| LMIG Fund | 82,407 | - | 82,407 |
| Emergency 911 | 311,330 | - | 311,330 |
| Child Development Center | 76,500 | - | 76,500 |
| Totals | $ 470,237 | $ 470,237 | $ - |

Transfers are used to: supplement operating budgets; assist in funding capital projects; and move the County's matching portion on state grants.

Supplements paid to the Towns County Health Department (discretely presented component unit):

| Fund/Component Unit | Paid From | Paid To | Totals |
|---|---|---|---|
| General Fund | $ 138,000 | $ - | $ 138,000 |
| Towns County Health Dept. | - | 138,000 | (138,000) |
| Totals | $ 138,000 | $ 138,000 | $ - |

**NOTE 7 – RETIREMENT PLANS**

***Defined Contribution Plan***

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. The Commissioner has the authority under which the plan provisions or contribution requirements are established or may be amended.

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. The contribution for the year ending December 31, 2016 was $ 113,455.

***Other Plans***

In addition to the above mentioned retirement 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.

*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 $ 25 per month, per employed and volunteer firefighter to the Georgia Firefighters' Pension Fund.

## NOTE 7 – RETIREMENT PLANS (CONTINUED)

### *Other Plans (Continued)*

*Probate Judges' Retirement Fund of Georgia* is a pension plan that covers the Probate Judge. The plan 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* is a pension plan that covers the Clerk of Superior Court. The plan 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.

*Sheriff's Retirement Fund/Peace Officer's Annuity and Benefit Fund* is a pension plan that covers the Sheriff and Sheriff's Deputies under separate pension plans, that requires certain sums from fines or bond forfeitures 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 8 – RELATED PARTY TRANSACTIONS

The County Commissioner and administration appoints the majority of the governing boards for several agencies operating within the County, but does not provide operating subsidies or exhibit any other indications of financial accountability with regard to these authorities. These authorities are the: Towns County Board of Family and Children Services and Towns County Recreation Authority.

### *Georgia Mountain Regional Commission*

Under Georgia law, Towns County, in conjunction with other cities and counties in the area are members of the Georgia Mountain Regional Commission (GMRC) and is required to pay annual dues. The County paid annual dues in the amount of $ 12,028 to the GMRC for the year ended December 31, 2016. *The Official Code of Georgia Annotated (O.C.G.A.) Section 50-8-34* (Georgia Planning Act of 1989) provides for the organizational structure of the GMRC.

The GMRC Board membership includes the chief elected official of each county and municipality of the area. Under O.C.G.A § 50-8-39-1, member governments are also liable for any debts or obligation of the agency beyond its resources. Separate financial statements may be obtained from:

Georgia Mountain Regional Commission
P.O. Box 1720
Gainesville, Georgia 30503-1720

## NOTE 9 – 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 10 – RISK MANAGEMENT AND CONTINGENCIES

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 that are specified in the grant agreements. Expended funds from grants received are subject to audit by the grantor. Any disallowed claims resulting from such audits could become a liability of the County or individual receiving fund department/agency of the County. As of December 31, 2016, the County is not aware of any material noncompliance with grants received and expended.

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. Exposure subjects the County to legal proceedings at any point in time, which normally occur in governmental operations. As of December 31, 2016, no significant proceedings or awards have been made against the County. In addition, as of December 31, 2016 the County is not aware of any pending or threatened litigation.

To mitigate liability and risks of loss to which the County is exposed, the County participates in the Association County Commissioners of Georgia (ACCG), Group Self Insurance Worker's Compensation Fund (GSIWCF), a self-insured pool cooperative arrangement among its members to finance worker's 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.

The County also participates in the Association County Commissioners of Georgia (ACCG) Inter-local Risk Management Agency (IRMA), a risk sharing arrangement among Georgia County Governments. The fund exists by authority of *OCGA 36-85-1* et seq. The County is covered up to $ 100,000 in liability per individual claim or $ 1,000,000 of liability in all claims paid within the plan year after the first $ 5,000 in liability is paid by the County.

The purpose of the fund and risk management agency is to defend and protect the members against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation laws of Georgia. The fund and agency 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.

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

The members of ACCG-GSIWCF and ACCG-IRMA are subject to an additional liability assessment if the losses that ACCG incur and must pay exceed the assets of the pool. As of December 31, 2016, there was no additional liability assessment from the ACCG-GSIWCF or the ACCG-IRMA. Therefore, no liability for this has been included in these financial statements.

**NOTE 10 – RISK MANAGEMENT AND CONTINGENCIES (CONTINUED)**

***Other***

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, 2016:

| | | |
|---|---|---|
| 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 |

The County has no outstanding claims in excess of coverage for which a liability should be recorded as of December 31, 2016. Settled claims in the past four years have not exceeded the coverage.

**NOTE 11 – SIGNIFICANT ESTIMATES**

As discussed in Note 1, the use of estimates may be required within the financial statements to be in conformity with accounting principles generally accepted in the United States. Significant estimates used in the preparation of the financial statements, which could change based on actual results, are the estimates for doubtful accounts primarily for fines receivable and ambulance services provided, and depreciation of capital assets.

**NOTE 12 – HOTEL/MOTEL TAX**

During the year ended December 31, 2016, the County collected of $ 371,280 of which $ 222,768 was required to be spent to promote tourism, conventions and trade shows. The County actually spent $ 381,448. This was 171% of the tax receipts to be expended for these purposes under O.C.G.A. § 48-13-51.The County complied with the requirements of this law.

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 16, 2017, the date the financial statements were available to be issued.

TOWNS COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended December 31, 2016

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| REVENUES | | | | |
| Taxes | $ 7,145,506 | $ 7,145,506 | $ 7,446,267 | $ 300,761 |
| Licenses and permits | 72,100 | 72,100 | 47,610 | (24,490) |
| Fines and forfeitures | 301,900 | 301,900 | 161,264 | (140,636) |
| Charges for services | 1,346,000 | 1,368,090 | 1,492,363 | 124,273 |
| Interest income | 35,000 | 35,000 | 18,518 | (16,482) |
| Intergovernmental | 437,095 | 440,595 | 374,280 | (66,315) |
| Contributions and donations | 2,000 | 2,000 | 22,605 | 20,605 |
| Other | 113,500 | 113,500 | 232,041 | 118,541 |
| TOTAL REVENUES | 9,453,101 | 9,478,691 | 9,794,948 | 316,257 |
| EXPENDITURES | | | | |
| General Government | | | | |
| General and administrative | 761,805 | 761,805 | 751,999 | 9,806 |
| Commissioner | 120,000 | 110,000 | 105,528 | 4,472 |
| Tax commissioner | 267,516 | 246,516 | 228,177 | 18,339 |
| Tax assessor | 208,128 | 213,128 | 204,936 | 8,192 |
| Election | 106,725 | 152,725 | 149,229 | 3,496 |
| Total General Government | 1,464,174 | 1,484,174 | 1,439,869 | 44,305 |
| Public Safety | | | | |
| Regional expenditures | 187,450 | 205,950 | 199,717 | 6,233 |
| Sheriff | 1,184,923 | 1,154,923 | 1,144,296 | 10,627 |
| Jail operation | 961,502 | 1,001,502 | 997,094 | 4,408 |
| Fire department | 416,265 | 416,265 | 397,613 | 18,652 |
| Ambulance service | 1,029,980 | 1,127,570 | 1,102,657 | 24,913 |
| E.M.A. director | 57,133 | 57,133 | 54,068 | 3,065 |
| E-911 Mapping | 79,895 | 86,895 | 85,335 | 1,560 |
| Total Public Safety | 3,917,148 | 4,050,238 | 3,980,780 | 69,458 |
| Court System | | | | |
| Probate/Magistrate court | 248,045 | 213,045 | 199,684 | 13,361 |
| Clerk of court | 225,840 | 213,840 | 203,299 | 10,541 |
| Court - other | 214,858 | 219,858 | 216,270 | 3,588 |
| District attorney | 113,440 | 113,440 | 110,153 | 3,287 |
| Total Court System | 802,183 | 760,183 | 729,406 | 30,777 |

TOWNS COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
For the Year Ended December 31, 2016

| **(CONTINUED)** | Budgeted Amounts | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| Public Works | | | | |
| Road department | 859,581 | 761,081 | 741,209 | 19,872 |
| Transfer Station/Landfill | 399,207 | 439,207 | 434,804 | 4,403 |
| Recycling | 23,945 | 23,945 | 21,827 | 2,118 |
| Total Public Works | 1,282,733 | 1,224,233 | 1,197,840 | 26,393 |
| Health and Welfare | | | | |
| Regional expenditures | 438,570 | 438,570 | 300,386 | 138,184 |
| Extension service | 22,000 | 22,000 | 16,880 | 5,120 |
| Transportation service | 111,993 | 99,993 | 94,607 | 5,386 |
| Total Health and Welfare | 572,563 | 560,563 | 411,873 | 148,690 |
| Recreation and Culture | | | | |
| Regional expenditures | 230,000 | 260,000 | 258,669 | 1,331 |
| Recreation department | 494,580 | 504,580 | 482,122 | 22,458 |
| Chatuge campground | 95,300 | 95,300 | 82,565 | 12,735 |
| Total Recreation and Culture | 819,880 | 859,880 | 823,356 | 36,524 |
| Housing and Development | | | | |
| Regional expenditures | 53,000 | 38,000 | 31,414 | 6,586 |
| Building inspection | 77,040 | 62,040 | 58,062 | 3,978 |
| Planning and zoning | 22,880 | 22,880 | 20,407 | 2,473 |
| Total Housing and Development | 152,920 | 122,920 | 109,883 | 13,037 |
| TOTAL EXPENDITURES | 9,011,601 | 9,062,191 | 8,693,007 | 369,184 |
| EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES | 441,500 | 416,500 | 1,101,941 | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in / (out) | (381,500) | (381,500) | | |
| Contingencies / Surplus reserves | (60,000) | (35,000) | (470,237) | |
| NET CHANGE IN FUND BALANCE | - | - | 631,704 | |
| | FUND BALANCE, BEGINNING | | 3,739,567 | |
| | FUND BALANCE, ENDING | | $ 4,371,271 | |

## 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 departments of the County operated within budgeted appropriations.

TOWNS COUNTY, GEORGIA
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2016

| | Tax Commissioner | Clerk of Superior Court | Probate Court | Magistrate Court | Sheriff | Total |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash | $ 33,848 | $ 362,470 | $ 35,228 | $ 7,156 | $ 58,996 | $ 497,698 |
| TOTAL ASSETS | $ 33,848 | $ 362,470 | $ 35,228 | $ 7,156 | $ 58,996 | $ 497,698 |
| LIABILITIES | | | | | | |
| Funds held in trust | $ 33,848 | $ 362,470 | $ 35,228 | $ 7,156 | $ 58,996 | $ 497,698 |
| TOTAL LIABILITIES | $ 33,848 | $ 362,470 | $ 35,228 | $ 7,156 | $ 58,996 | $ 497,698 |

TOWNS COUNTY, GEORGIA
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2016

| | Beginning | Additions | Deductions | Ending |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ 323,312 | $ 14,159,487 | $ 13,985,101 | $ 497,698 |
| TOTAL ASSETS | $ 323,312 | $ 14,159,487 | $ 13,985,101 | $ 497,698 |
| LIABILITIES | | | | |
| Funds held in trust | $ 323,312 | $ 14,159,487 | $ 13,985,101 | $ 497,698 |
| TOTAL LIABILITIES | $ 323,312 | $ 14,159,487 | $ 13,985,101 | $ 497,698 |

TOWNS COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

| | Child Development Center | Emergency 911 | Law Library | Drug Fund | LMIG | Victim's Assistance Fund | Jail Fund | Hotel / Motel Tax Fund | Total |
|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | $ 17,528 | $ 197,537 | $ 26,436 | $ 41,204 | $ 1,032 | $ - | $ - | $ 178,336 | $ 462,073 |
| Receivables, net | 2,268 | 15,155 | - | - | - | - | - | - | 17,423 |
| Intergovernmental | 3,589 | - | - | - | - | - | - | - | 3,589 |
| Prepaid assets | - | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | 1,385 | - | - | 1,385 |
| TOTAL ASSETS | $ 23,385 | $ 212,692 | $ 26,436 | $ 41,204 | $ 1,032 | $ 1,385 | $ - | $ 178,336 | $ 484,470 |
| Deferred outflow of resources | - | - | - | - | - | - | - | - | - |
| LIABILITIES | | | | | | | | | |
| Accrued liabilities | $ 6,752 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 6,752 |
| Due to other funds | - | - | - | - | 53,460 | - | - | 3,489 | 56,949 |
| Total liabilities | 6,752 | - | - | - | 53,460 | - | - | 3,489 | 63,701 |
| Deferred inflow of resources | - | - | - | - | - | - | - | - | - |
| FUND BALANCE | | | | | | | | | |
| Restricted: | | | | | | | | | |
| Special revenue funds | 16,633 | 212,692 | 26,436 | 41,204 | (52,428) | 1,385 | - | 174,847 | 420,769 |
| Total fund balances | 16,633 | 212,692 | 26,436 | 41,204 | (52,428) | 1,385 | - | 174,847 | 420,769 |
| TOTAL LIABILITIES AND FUND BALANCES | $ 23,385 | $ 212,692 | $ 26,436 | $ 41,204 | $ (52,428) | $ 1,385 | $ - | $ 178,336 | $ 484,470 |

TOWNS COUNTY, GEORGIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

| | Child Development Center | Emergency 911 | Law Library | Drug Fund | LMIG | Victim's Assistance Fund | Jail Fund | Hotel / Motel Tax Fund | Total |
|---|---|---|---|---|---|---|---|---|---|
| REVENUES | | | | | | | | | |
| Taxes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 415,981 | $ 415,981 |
| Fines and forfeitures | - | - | 5,701 | 18,650 | - | 9,660 | 13,367 | - | 47,378 |
| Charges for services | 228,832 | 208,847 | - | - | - | - | - | - | 437,679 |
| Interest income | - | 425 | - | - | 478 | - | - | - | 903 |
| Intergovernmental | 55,188 | - | - | - | 274,382 | - | - | - | 329,570 |
| TOTAL REVENUES | $ 284,020 | $ 209,272 | $ 5,701 | $ 18,650 | $ 274,860 | $ 9,660 | $ 13,367 | $ 415,981 | $ 1,231,511 |
| EXPENDITURES | | | | | | | | | |
| Current Operating | | | | | | | | | |
| General government | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Public safety | - | 515,359 | - | - | - | - | - | - | 515,359 |
| Court system | - | - | 4,502 | 3,299 | - | 9,660 | 13,367 | - | 30,828 |
| Public works | - | - | - | - | - | - | - | - | - |
| Health and welfare | 400,599 | - | - | - | - | - | - | - | 400,599 |
| Housing and development | - | - | - | - | - | - | - | 452,097 | 452,097 |
| Capital Outlay | - | - | - | - | 361,555 | - | - | - | 361,555 |
| Debt Service | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - |
| TOTAL EXPENDITURES | 400,599 | 515,359 | 4,502 | 3,299 | 361,555 | 9,660 | 13,367 | 452,097 | 1,760,438 |
| EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES | (116,579) | (306,087) | 1,199 | 15,351 | (86,695) | - | - | (36,116) | (528,927) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Proceeds from financing | - | - | - | - | - | - | - | - | - |
| Transfers in (out) | 76,500 | 311,330 | - | - | 82,407 | - | - | - | 470,237 |
| TOTAL OTHER FINANCING SOURCES | 76,500 | 311,330 | - | - | 82,407 | - | - | - | 470,237 |
| NET CHANGE IN FUND BALANCES | (40,079) | 5,243 | 1,199 | 15,351 | (4,288) | - | - | (36,116) | (58,690) |
| FUND BALANCE, BEGINNING | 56,712 | 207,449 | 25,237 | 25,853 | (48,140) | 1,385 | - | 210,963 | 479,459 |
| FUND BALANCE, ENDING | $ 16,633 | $ 212,692 | $ 26,436 | $ 41,204 | $ (52,428) | $ 1,385 | $ - | $ 174,847 | $ 420,769 |

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, 2016

| PROJECT | Project Budget | Prior Year Project to Date | Current Year | Total | Percent Complete |
|---|---|---|---|---|---|
| Capital Projects: | | | | | |
| Roads and Bridges | $ 2,359,000 | $ 964,410 | $ - | $ 964,410 | 41% |
| Fire | 1,450,000 | 885,760 | - | 885,760 | 61% |
| Park Development/Multipurpose Community Center | 4,950,000 | 4,959,098 | - | 4,959,098 | 100% |
| Library | 200,000 | 200,000 | - | 200,000 | 100% |
| Economic Development | 400,000 | - | 78,685 | 78,685 | 20% |
| Water/Sewer | 450,000 | 150,000 | - | 150,000 | 33% |
| Public Safety Vehicles | 450,000 | 305,934 | - | 305,934 | 68% |
| Total Capital Projects: | 10,259,000 | 7,465,202 | 78,685 | 7,543,887 | 74% |
| Intergovernmental: | | | | | |
| City of Hiawasse Allocation | 1,143,000 | 629,558 | 155,818 | 785,376 | 69% |
| City of Young Harris Allocation | 1,143,000 | 629,557 | 155,818 | 785,375 | 69% |
| Total Intergovernmental: | 2,286,000 | 1,259,115 | 311,636 | 1,570,751 | 69% |
| Debt Service - Bond Issuance Costs | 155,000 | 129,881 | - | 129,881 | 84% |
| Debt Service - Principal | 6,200,000 | 4,040,000 | 1,065,000 | 5,105,000 | 82% |
| Debt Service - Interest | 557,851 | 498,427 | 42,417 | 540,844 | 97% |
| Total | $ 19,457,851 | $ 13,392,625 | $ 1,497,738 | $ 14,890,363 | 77% |

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 County Commissioner
Towns County, 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 government 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, 2016, and the related notes to the financial statements, which collectively comprise Towns County, Georgia's basic financial statements, and have issued our report thereon dated June 16, 2017. Our report includes a reference to other auditors who audited the financial statements of Towns County Health Department, as described in our report on Towns County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Towns 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Towns County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Towns 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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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

**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 Towns County, Georgia's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander, Almand & Bangs, LLP*

Alexander, Almand & Bangs, LLP
Gainesville, Georgia
June 16, 2017