

**FANNIN COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010**

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of and for the year ended December 31, 2010, which collectively comprise Fannin County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fannin County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fannin County Department of Public Health, which represents 15% and 83%, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Fannin County Department of Public Health, is based on the report of the other auditors.

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 of material misstatement. 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Multiple Grant Fund for the year then 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 April 29, 2011, on our consideration of Fannin County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Fannin County, Georgia has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Schedule of Funding Progress for the Fannin County Retirement Plan on page 33 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fannin County, Georgia's financial statements as a whole. The combining and individual nonmajor fund financial statements on pages 35 through 38 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax on page 40 is presented for purposes of additional analysis as required by Official Code of Georgia Annotated 48-8-121, and is also not a required part of the financial statements. The accompanying Schedule of State Contractual Assistance on page 41 is presented for purposes of additional analysis as required by the Georgia Department of Human Resources, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax and the Schedule of State Contractual Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rh Jennings & Company, PC

Ellijay, Georgia
April 29, 2011

BASIC FINANCIAL STATEMENTS

FANNIN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Department of Public Health	Parks and Recreation Commission	Development Authority
ASSETS						
Cash and cash equivalents	\$ 7,404,539	\$ -	\$ 7,404,539	\$ 268,201	\$ 6,575	\$ 10,305
Restricted cash and cash equivalents	3,595,159	-	3,595,159	-	-	-
Property taxes receivable	1,183,950	-	1,183,950	-	-	-
Accounts receivable, net	555,422	-	555,422	18,458	-	200,998
Due from other governments	1,140,178	-	1,140,178	-	-	-
Due from primary government	-	-	-	-	-	33,902
Prepaid items	277,589	-	277,589	-	-	-
Capital assets, not being depreciated	2,853,761	286,588	3,140,349	-	-	579,612
Capital assets, net of accumulated depreciation	30,151,952	-	30,151,952	4,977	-	759,142
Net pension asset	194,316	-	194,316	-	-	-
Total assets	\$ 47,356,866	\$ 286,588	\$ 47,643,454	\$ 291,636	\$ 6,575	\$ 1,583,959
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	\$ 270,051	\$ -	\$ 270,051	\$ -	\$ -	\$ 200,998
Accrued liabilities	153,316	-	153,316	56,572	-	-
Due to component unit	33,902	-	33,902	-	-	-
Due to other governments	62,758	-	62,758	14,389	-	-
Internal balances	(286,588)	286,588	-	-	-	-
Accrued interest	175,932	-	175,932	-	-	-
Long-term liabilities:						
Due within one year	851,013	-	851,013	-	-	-
Due in more than one year	9,319,823	-	9,319,823	-	-	-
Total liabilities	10,580,207	286,588	10,866,795	70,961	-	200,998
Net Assets:						
Invested in capital assets, net of related debt	22,834,877	-	22,834,877	4,977	-	1,338,754
Restricted for:						
Capital projects	3,101,966	-	3,101,966	-	-	-
Other purposes	590,765	-	590,765	-	-	-
Unrestricted	10,249,051	-	10,249,051	215,698	6,575	44,207
Total net assets	36,776,659	-	36,776,659	220,675	6,575	1,382,961
Total liabilities and net assets	\$ 47,356,866	\$ 286,588	\$ 47,643,454	\$ 291,636	\$ 6,575	\$ 1,583,959

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	Department of Public Health	Parks and Recreation Commission
Primary government								
Governmental activities:								
General government	\$ 3,024,984	\$ 66,053	\$ 118,700	\$ -	\$ (2,840,231)	\$ -		
Judicial	1,750,077	411,698	40,009	-	(1,298,370)	-		
Public safety	5,982,693	1,633,534	235,192	4,336	(4,109,631)	-		
Public works	4,918,480	33,810	-	258,231	(4,626,439)	-		
Health and welfare	591,469	193,689	45,124	93,847	(258,809)	-		
Culture and recreation	724,846	3,527	-	1,078	(720,241)	-		
Housing and development	790,550	108,034	-	-	(682,516)	-		
Interest on long-term liabilities	493,349	-	-	-	(493,349)	-		
Total governmental activities	18,276,448	2,450,345	439,025	357,492	(15,029,586)	-		
Business-type activities:								
Fannin County Water Authority	-	-	-	-	-	-		
Total Primary Government	\$ 18,276,448	\$ 2,450,345	\$ 439,025	\$ 357,492	(15,029,586)	-		
Component units:								
Department of Public Health	\$ 494,790	\$ 195,698	\$ 300,351	\$ -			\$ 1,259	\$ -
Recreation and Parks Commission	100,586	93,736	-	-			-	(6,850)
Development Authority	29,843	-	6,829	-			-	-
Total component units	\$ 625,219	\$ 289,434	\$ 307,180	\$ -			\$ 1,259	(6,850)
General Revenues:								
Property taxes					7,749,496	-	-	-
Franchise taxes					86,286	-	-	-
Sales taxes					5,891,785	-	-	-
Other taxes					1,291,715	-	-	-
Miscellaneous revenues					1,938	-	-	-
Unrestricted investment earnings					53,624	-	-	-
Total general revenues					15,074,844	-	-	-
Change in net assets					45,258	-	1,259	(6,850)
Net assets, beginning of year, restated					36,731,401	-	219,416	(19,740)
Net assets, end of year					\$ 36,776,659	\$ -	\$ 220,675	\$ 1,382,961

The accompanying notes are an integral part of this statement.

**FANNIN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	<u>General Fund</u>	<u>SPLOST/ Roads</u>	<u>Multiple Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 7,381,220	\$ 2,761,349	\$ 117,997	\$ 739,132	\$ 10,999,698
Property taxes receivable	1,183,950	-	-	-	1,183,950
Accounts receivable, net	440,895	-	-	114,527	555,422
Due from other governments	584,440	545,176	10,562	-	1,140,178
Due from other funds	656,444	175,740	-	149,656	981,840
Prepaid items	271,202	-	-	6,387	277,589
Total assets	<u>\$ 10,518,151</u>	<u>\$ 3,482,265</u>	<u>\$ 128,559</u>	<u>\$ 1,009,702</u>	<u>\$ 15,138,677</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 124,654	\$ 61,902	\$ 21,124	\$ 62,371	\$ 270,051
Accrued liabilities	153,316	-	-	-	153,316
Due to other funds	175,740	255,639	236,133	27,740	695,252
Due to component unit	6,749	-	27,153	-	33,902
Due to other governments	-	62,758	-	-	62,758
Deferred revenue	599,501	-	-	-	599,501
Total liabilities	<u>1,059,960</u>	<u>380,299</u>	<u>284,410</u>	<u>90,111</u>	<u>1,814,780</u>
FUND BALANCES					
Fund balances:					
Reserved for:					
Prepaid items	271,202	-	-	-	271,202
Unreserved, reported in					
General fund	9,186,989	-	-	-	9,186,989
Special revenue funds	-	-	(155,851)	767,354	611,503
Capital projects funds	-	3,101,966	-	152,237	3,254,203
Total fund balances	<u>9,458,191</u>	<u>3,101,966</u>	<u>(155,851)</u>	<u>919,591</u>	<u>13,323,897</u>
Total liabilities and fund balances	<u>\$ 10,518,151</u>	<u>\$ 3,482,265</u>	<u>\$ 128,559</u>	<u>\$ 1,009,702</u>	<u>\$ 15,138,677</u>

The accompanying notes are an integral part of this statement.

**FANNIN COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Total fund balances - governmental funds	\$ 13,323,897
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,005,713
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	599,501
Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds.	(10,346,768)
The net pension asset is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	<u>194,316</u>
Total net assets - governmental activities	<u><u>\$ 36,776,659</u></u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	SPLOST/ Roads	Multiple Grant	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 7,021,935	\$ -	\$ -	\$ -	\$ 7,021,935
Franchise taxes	86,286	-	-	-	86,286
Sales taxes	2,600,347	3,291,438	-	-	5,891,785
Other taxes	849,357	-	-	442,358	1,291,715
Licenses and permits	112,501	-	-	-	112,501
Intergovernmental	1,216,818	236,940	45,124	29,852	1,528,734
Fines and forfeitures	573,915	-	-	82,857	656,772
Charges for services	900,853	-	-	387,986	1,288,839
Investment income	44,615	21,291	1,740	8,347	75,993
Contributions and donations	270	-	-	-	270
Other	347,883	33,483	16,836	-	398,202
Total revenues	13,754,780	3,583,152	63,700	951,400	18,353,032
EXPENDITURES					
Current:					
General government	2,440,342	-	-	-	2,440,342
Judicial	1,718,331	-	-	26,646	1,744,977
Public safety	4,777,695	-	9,336	635,201	5,422,232
Public works	2,234,969	-	-	-	2,234,969
Health and welfare	470,883	-	45,124	-	516,007
Housing and development	338,249	-	-	442,359	780,608
Culture and recreation	643,605	-	-	1,382	644,987
Intergovernmental	-	397,758	-	-	397,758
Capital outlay:					
General government	71,245	-	-	-	71,245
Public safety	101,131	-	-	-	101,131
Public works	-	2,994,680	-	-	2,994,680
Health and welfare	4,600	-	-	-	4,600
Housing and development	363,734	-	-	-	363,734
Culture and recreation	3,551	-	-	695,562	699,113
Debt service:					
Principal	260,013	-	-	650,000	910,013
Interest	27,097	-	-	470,205	497,302
Total expenditures	13,455,445	3,392,438	54,460	2,921,355	19,823,698
Excess (deficiency) of revenues over (under) expenditures	299,335	190,714	9,240	(1,969,955)	(1,470,666)
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	65,813	-	-	-	65,813
Transfers in	665,379	-	-	1,120,205	1,785,584
Transfers out	(1,120,205)	-	(324,597)	(340,782)	(1,785,584)
Total other financing sources (uses)	(389,013)	-	(324,597)	779,423	65,813
Net change in fund balances	(89,678)	190,714	(315,357)	(1,190,532)	(1,404,853)
FUND BALANCES, beginning of year, restated	9,547,869	2,911,252	159,506	2,110,123	14,728,750
FUND BALANCES, end of year	\$ 9,458,191	\$ 3,101,966	\$ (155,851)	\$ 919,591	\$ 13,323,897

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Net change in fund balances - governmental funds	\$ (1,404,853)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	634,343
Capital assets contributed are not reported in governmental funds as they do not provide current financial resources, but are reported in the Statement of Activities.	106,200
The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance of debt is treated as a liability in the Statement of Net Assets.	(65,813)
The repayment of long-term debt consumes the current financial resources of governmental funds; however, such repayment is treated as the reduction of a liability in the Statement of Net Assets.	910,013
The decrease in net pension asset does not require the use of current financial resources and is not reported in governmental funds.	(1,059)
Property tax revenues deferred at the end of 2009 in the governmental funds as they did not provide current financial resources, were collected during 2010 and reported as revenues in the governmental funds.	(137,526)
Certain interest expense accrued and reported in the 2009 Statement of Activities did not require the use of current financial resources until 2010 and, therefore, are reported as expenditures in governmental funds during 2010.	3,953
Change in net assets - governmental activities	<u>\$ 45,258</u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Variance With Final Budget
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 7,002,250	\$ 7,002,250	\$ 7,021,935	\$ 19,685
Franchise taxes	70,000	70,000	86,286	16,286
Sales taxes	2,500,000	2,500,000	2,600,347	100,347
Other taxes	892,000	892,000	849,357	(42,643)
Licenses and permits	125,800	125,800	112,501	(13,299)
Intergovernmental	1,066,775	1,066,775	1,216,818	150,043
Fines and forfeitures	550,000	550,000	573,915	23,915
Charges for services	778,900	778,900	900,853	121,953
Investment income	70,000	70,000	44,615	(25,385)
Contributions and donations	600	600	270	(330)
Other	1,038,800	1,038,800	347,883	(690,917)
Total revenues	14,095,125	14,095,125	13,754,780	(340,345)
EXPENDITURES				
Current:				
General government:				
Legislative	614,610	614,610	567,174	47,436
Elections	277,745	265,745	188,333	77,412
Purchasing	15,000	15,000	7,377	7,623
Data processing	-	-	-	-
Tax commissioner	424,346	424,346	397,601	26,745
Tax assessor	674,118	674,118	642,929	31,189
Building and grounds	673,745	673,745	673,593	152
General administration	24,000	36,000	34,580	1,420
Total general government	2,703,564	2,703,564	2,511,587	191,977
Judicial:				
Superior court	296,371	261,371	180,280	81,091
Clerk of Superior court	484,385	484,385	439,460	44,925
District attorney	164,562	164,562	139,821	24,741
Drug task force	65,000	65,000	34,213	30,787

(continued)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>With Final</u>
EXPENDITURES (continued)				Budget
Current (continued):				
Judicial (continued):				
Magistrate court	\$ 230,437	\$ 230,437	\$ 225,766	\$ 4,671
Probate court	248,430	248,430	247,159	1,271
Juvenile court	204,815	219,815	216,796	3,019
Public defender	221,214	241,214	234,836	6,378
Total judicial	<u>1,915,214</u>	<u>1,915,214</u>	<u>1,718,331</u>	<u>196,883</u>
Public safety:				
Sheriff	1,524,900	1,496,900	1,408,636	88,264
Detention center	1,154,138	1,154,138	1,115,787	38,351
Resource officer	96,213	121,213	120,022	1,191
Probation center	31,669	31,669	31,581	88
Fire	414,859	414,859	291,385	123,474
Emergency medical services	1,612,252	1,612,252	1,588,981	23,271
Coroner	29,462	32,462	31,992	470
E-911	445,226	220,226	15,962	204,264
Animal control	193,302	193,302	174,742	18,560
Emergency management	128,570	128,570	99,738	28,832
Total public safety	<u>5,630,591</u>	<u>5,405,591</u>	<u>4,878,826</u>	<u>526,765</u>
Public works:				
Roads and bridges	2,779,059	2,504,059	2,211,104	292,955
Closure and postclosure care	-	25,000	23,865	1,135
Total public works	<u>2,779,059</u>	<u>2,529,059</u>	<u>2,234,969</u>	<u>294,090</u>
Health and welfare:				
Public health	40,945	45,945	43,580	2,365
Welfare	45,265	45,265	42,767	2,498
Senior citizen center	114,642	199,642	190,075	9,567
Other direct assistance	47,154	207,154	199,061	8,093
Total health and welfare	<u>248,006</u>	<u>498,006</u>	<u>475,483</u>	<u>22,523</u>

(continued)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Variance With Final Budget
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued):				
Housing and development:				
County extension	\$ 29,901	\$ 29,901	\$ 25,322	\$ 4,579
Natural Resources Soil Conservation	9,000	14,000	11,974	2,026
Land development	357,251	257,251	237,940	19,311
Development Authority	121,880	441,880	426,747	15,133
Total housing and development	<u>518,032</u>	<u>743,032</u>	<u>701,983</u>	<u>41,049</u>
Culture and recreation:				
Recreation	449,610	439,610	404,047	35,563
Arts	64,260	71,260	69,609	1,651
Regional library	167,720	167,720	167,500	220
Historical Commission	3,000	6,000	6,000	-
Total culture and recreation	<u>684,590</u>	<u>684,590</u>	<u>647,156</u>	<u>37,434</u>
Debt service:	<u>1,325,008</u>	<u>1,325,008</u>	<u>287,110</u>	<u>1,037,898</u>
Total expenditures	<u>15,804,064</u>	<u>15,804,064</u>	<u>13,455,445</u>	<u>2,348,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,708,939)</u>	<u>(1,708,939)</u>	<u>299,335</u>	<u>2,008,274</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	65,813	65,813
Transfers in	-	-	665,379	665,379
Transfers out	-	-	(1,120,205)	(1,120,205)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(389,013)</u>	<u>(389,013)</u>
Net change in fund balance	(1,708,939)	(1,708,939)	(89,678)	1,619,261
FUND BALANCE, beginning of year, restated	<u>9,547,869</u>	<u>9,547,869</u>	<u>9,547,869</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 7,838,930</u>	<u>\$ 7,838,930</u>	<u>\$ 9,458,191</u>	<u>\$ 1,619,261</u>

(concluded)

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MULTIPLE GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget			Variance With Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 46,075	\$ 46,075	\$ 45,124	\$ (951)
Investment income	-	-	1,740	1,740
Miscellaneous	-	-	16,836	16,836
Total Revenues	<u>46,075</u>	<u>46,075</u>	<u>63,700</u>	<u>17,625</u>
EXPENDITURES				
Public safety	-	-	9,336	(9,336)
Health and welfare	46,075	46,075	45,124	951
Total expenditures	<u>46,075</u>	<u>46,075</u>	<u>54,460</u>	<u>(8,385)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>9,240</u>	<u>9,240</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(324,597)	(324,597)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(324,597)</u>	<u>(324,597)</u>
Net change in fund balance	-	-	(315,357)	(315,357)
FUND BALANCE, beginning of year	<u>159,506</u>	<u>159,506</u>	<u>159,506</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 159,506</u>	<u>\$ 159,506</u>	<u>\$ (155,851)</u>	<u>\$ (315,357)</u>

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2010

	<u>Water and Sewer Authority</u>
ASSETS	
Capital asset, not being depreciated	\$ 286,588
Total assets	<u>\$ 286,588</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Due to other fund	\$ 286,588
Total liabilities	<u>286,588</u>
 NET ASSETS	
Invested in capital assets, net of related debt	<u>-</u>
Total net assets	<u>-</u>
Total liabilities and net assets	<u>\$ 286,588</u>

The accompanying notes are an integral part of this statement.

**FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Water and Sewer Authority</u>
Operating revenues	\$ -
Operating expenses	-
Nonoperating revenues (expenses)	-
Capital contributions	-
Transfers in	-
Transfers out	-
Change in net assets	-
Total net assets, beginning of year	-
Total net assets, end of year	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**FANNIN COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Water and Sewer Authority</u>
Cash flows from operating activities	\$ -
Cash flows from noncapital financing activities	-
Cash flows from capital and related financing activities	-
Cash flows from investing activities	<u>-</u>
Net increase (decrease) in cash	-
Cash, beginning of year	<u>-</u>
Cash, end of year	<u><u>\$ -</u></u>

Noncash investing, capital, and financing activities:

Capital asset, not being depreciated, in the amount of \$286,588 was acquired by the General Fund on behalf of the Water and Sewer Authority.

The accompanying notes are an integral part of this statement.

FANNIN COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2010

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 3,725,081
Restricted cash	218,890
Taxes receivable	<u>4,198,616</u>
Total assets	<u><u>\$ 8,142,587</u></u>
 LIABILITIES	
Due to others	<u>\$ 8,142,587</u>
Total liabilities	<u><u>\$ 8,142,587</u></u>

The accompanying notes are an integral part of this statement.

**FANNIN COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County operates under a County Commission form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Fannin County, Georgia (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationships with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Governmental Accounting Standards Board Statement No. 39, "Determining Whether Certain Organizations Are Component Units", the component units' financial statements have been included as discretely presented or blended, as required. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. Based upon the application of these criteria, the following is a brief review of each component unit addressed in defining the County's reporting entity.

The **Fannin County Development Authority** (the "Development Authority") provides a means to develop and promote trade, commerce, industry and employment opportunities within the County. The Development Authority is used as a flow through for grant monies and expenditures for real estate development projects. All nine board members of the Development Authority are appointed by the County and the County has a significant financial relationship with the Development Authority. Financial information related to the Development Authority may be obtained from the Office of the County Clerk of Fannin County, Georgia.

The **Fannin County Parks and Recreation Commission** (the "Parks and Recreation Commission") manages and maintains parks and recreation facilities for the benefit of Fannin County citizens. The County appoints all seven of the Parks and Recreation Commission's board members and the County has a significant financial relationship with the Parks and Recreation Commission. Financial information related to the Parks and Recreation Commission may be obtained from the Office of the County Clerk of Fannin County, Georgia.

The **Fannin County Department of Public Health** (the "Health Department") provides health related services to residents of Fannin County. The County provides the Health Department with its building space, liability insurance, maintenance on the building and janitorial services. The presentation of the Health Department's financial information was taken from its audited financial report as of June 30, 2010. Separate financial statements for the Health Department can be obtained from their administrative offices at Georgia Department of Health Resources, Northwest Health District, 111 Bryant Crossing, Suite AA, Dalton, Georgia 30720.

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Fannin County Building Authority (the "Building Authority") is also governed by a board appointed by the County Commissioners who have the ability to impose their will on the Building Authority. Although it is legally separate from the County, the Building Authority is reported as if it is a part of the primary government, as a blended component unit, because its primary purpose is to acquire, construct, and maintain capital projects for use by the County. Financial information related to the Fannin County Building Authority may be obtained from the Office of the County Clerk of Fannin County, Georgia.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately 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 reports the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary 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.

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

The Water Authority had no cash accounts and no operating activities in 2010. The amount reported as capital assets, not being depreciated, of \$286,588 in the separate statement of net assets – proprietary fund represents funds that have been expended by the General Fund in 2009 and 2010 on behalf of the Water Authority primarily for professional fees in connection with system design and engineering.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Sales taxes are recognized when the underlying transaction occurs. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

The County reports the following major governmental funds:

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

The SPLOST/Roads Fund accounts for the financial resources provided from the Special Purpose Local Option Sales Tax in which such resources are to be used for roads, streets, and bridges.

The Multiple Grant Fund is used to account for grant monies received from various Federal and State agencies and the expenditure of these monies for the purposes intended.

The County reports the following major proprietary fund:

The Water and Sewer Authority accounts for the activities of the Water Authority. As described above, the Water Authority had no cash accounts and no operating activities in 2010.

Additionally, the County reports the following fund types:

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Agency (fiduciary) funds are used to account for the collection and disbursement of monies by the county on behalf of other governments and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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 this same limitation. The County has elected not to follow subsequent private-sector guidance.

When both unrestricted and restricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

Georgia statutes require all financial institution deposits and investments in excess of the federal depository insured amount to be fully collateralized by an equivalent amount of state or U.S. obligations. Georgia statutes authorize the County to invest in U.S. Government obligations; U.S. Government agency obligations; obligations of the State of Georgia; obligations of other counties; municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc.; negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state

NOTE 1.**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****D. Cash and Investments (Continued)**

of the United States of America or any national banking association; repurchase agreements when collateralized by the U.S. government or agency obligations; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

For purposes of the statement of cash flows – proprietary fund, the County considers cash on hand, demand deposits and short-term investments with original maturities of three months or less to be cash equivalents.

E. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as other outstanding balances between funds are reported as “due to/from other funds.”

F. Prepaid Items

Payments to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items. Prepaid items reported in the governmental funds are also equally offset by a fund balance reserve, which indicates that they do not constitute “available, spendable financial resources” even though they are a component of net current assets.

G. Management Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure are reported in the government-wide financial statements. Capital assets, not including infrastructure, are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two or more years. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of road network assets that were acquired or that received substantial improvements subsequent to January 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The capitalization threshold for infrastructure is \$50,000.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Vehicles	2-15
Machinery and Equipment	3-15
Infrastructure	30

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities of the primary government under governmental activities.

J. Compensated Absences

The County offers full-time employees compensated time off for vacation and sickness. Vacation leave is determined by the years of services and sick leave is accrued at one-half day per month, or six days per year. Vacation leave is forfeited if not taken by December 31st of each calendar year; therefore, it is expensed as incurred. Accrued and unpaid sick leave at year end is not recorded as a liability as it is contingent upon employees' future illness.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Interfund Transfers

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursement to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

NOTE 2. LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The County's annual budgets are prepared on anticipated revenues and appropriated expenditures. Revenue anticipation, generally conservative, is designed to help ensure fiscal responsibility and maintain a balanced budget. The operating budget includes proposed expenditures and the means of financing them are based on prior year results and estimated current needs.
2. Public hearings are conducted by the Board of Commissioners to obtain taxpayer comments.
3. On or before August 15th of the preceding year, all agencies of the government submit requests for appropriations to the Chairman of the Board of Commissioners. Before September 1, the proposed budget is presented to the Board of Commissioners for review. The final budget must be prepared and adopted no later than December 1.
4. The Chairman of the Board of Commissioners is authorized to transfer amounts between accounts within any department. All supplemental appropriations or transfers of appropriations between departments must be approved by the Board of Commissioners.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level.

Annual appropriated budgets, which are adopted on a basis consistent with generally accepted accounting principals, are adopted for the General Fund, and each Special Revenue Fund. Budget amounts are as

NOTE 2. LEGAL COMPLIANCE – BUDGETS (CONCLUDED)

originally adopted, or as amended by the Board of Commissioners. There were no material supplementary appropriations made during the year. All annual appropriations lapse at year-end.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2010, expenditures did not exceed appropriations at the department level (the legal level of control), except in the Multiple Grant Fund where expenditures for public safety exceeded budget by \$9,336. Such overage was funded by greater than anticipated revenues or available fund balance.

NOTE 3. CASH AND INVESTMENTS

Cash and cash equivalents include cash on hand, demand deposits, money market accounts, and certificates of deposit. Cash also includes funds currently invested in the Georgia Fund 1 Liquidity Pool. Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAA rated money market funds. It is regulated by the Georgia Office of Treasury and Fiscal Services. The reported value of the pool is the same as the fair value of the pool shares.

Credit risk. State statutes limit investments to obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. Government; obligations of the State of Georgia or other states; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements when collateralized by the U.S. Government or agency obligations; and obligations of other political subdivisions of the State of Georgia.

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. At December 31, 2010, all financial institution deposits were fully insured or collateralized.

NOTE 4. RECEIVABLES

Receivables at December 31, 2010, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

Primary Government:

	General	SPLOST/ Roads	Multiple Grant	Nonmajor Funds
Receivables:				
Property taxes	\$ 1,183,950	\$ -	\$ -	\$ -
Accounts	579,431	-	-	114,527
Due from other				
Governments	584,440	545,176	10,562	-
Gross receivables	2,347,821	545,176	10,562	114,527
Less allowance for uncollectibles	138,536	-	-	-
Net total receivables	<u>\$ 2,209,285</u>	<u>\$ 545,176</u>	<u>\$ 10,562</u>	<u>\$ 114,527</u>

The County bills and collects its own property taxes and those taxes for the Fannin County School System and certain municipalities within the County. Collections of the County taxes and remittance of them to the

NOTE 4. RECEIVABLES (CONCLUDED)

General Fund, the school system, and municipalities are accounted for in the Tax Commissioner Agency Fund. County property taxes are recognized when levied to the extent that they result in current receivables.

Property taxes were levied on August 24, 2010, based on assessed values on January 1st and are due on December 20th of each year. Collections of property taxes are made throughout the year. Liens may be attached to property for unpaid taxes at any time within three years after the due date.

At December 31, 2010, ambulance billings of \$407,459 were outstanding for emergency services, and are included in accounts receivable above. An allowance for uncollectible accounts of \$138,536 has been provided for amounts and charges not allowed by Medicare, Medicaid or other insurance contracts. The allowance is estimated by the County based on historical experience. Accounts are written off when deemed uncollectible by the County or advised as such by third party payers. The Board of Commissioners reviews all accounts and decides whether they are to be written off or pursued for collection.

NOTE 5. CAPITAL ASSETS

Activity in capital asset accounts of the primary government and its discretely presented component units for the year ended December 31, 2010, was as follows:

A. Primary Government

Governmental Activities:	Beginning Balance	Increases	Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,615,555	\$ 363,734	\$ -	\$ 1,979,289
Construction in progress	2,147,240	1,563,608	(2,836,376)	874,472
Total	<u>3,762,795</u>	<u>1,927,342</u>	<u>(2,836,376)</u>	<u>2,853,761</u>
Capital assets, being depreciated:				
Infrastructure	20,510,463	635,640	131,996	21,278,099
Buildings and improvements	17,047,420	32,219	2,704,380	19,784,019
Machinery and equipment	11,768,619	90,154	-	11,858,773
Total	<u>49,326,502</u>	<u>758,013</u>	<u>2,836,376</u>	<u>52,920,891</u>
Less accumulated depreciation for:				
Infrastructure	10,014,674	846,248	-	10,860,922
Buildings and improvements	2,836,190	398,577	-	3,234,767
Machinery and equipment	7,973,263	699,987	-	8,673,250
Total	<u>20,824,127</u>	<u>1,944,812</u>	<u>-</u>	<u>22,768,939</u>
Total capital assets being depreciated, net	<u>28,502,375</u>	<u>(1,186,799)</u>	<u>2,836,376</u>	<u>30,151,952</u>
Governmental activities capital assets, net	<u>\$ 32,265,170</u>	<u>\$ 740,543</u>	<u>\$ -</u>	<u>\$ 33,005,713</u>

Reclassifications of \$2,836,376 above represent the accumulated costs incurred on road and bridge projects and a new multi-purpose recreation facility that were completed and put into service during 2010. There were no disposals of capital assets during the year ended December 31, 2010.

NOTE 5. CAPITAL ASSETS (CONTINUED)**A. Primary Government (Continued)**

Business-type activities: Capital assets, not being depreciated, of \$286,588 on the accompanying statement of net assets – proprietary funds represents monies that have been expended by the General Fund in 2009 and 2010 on behalf of the Water Authority primarily for professional fees in connection with system design and engineering. Such fees are capitalized as construction in progress.

Depreciation expense during the year ended December 31, 2010, was charged to functions/programs of the primary government as follows:

Governmental activities

General government	\$ 184,544
Judicial	5,100
Public safety	549,484
Public works	1,046,996
Health and welfare	70,862
Culture and recreation	77,884
Housing and development	9,942
Total	<u>\$ 1,944,812</u>

B. Discretely Presented Component Unit – Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$ 37,332</u>	<u>\$ 542,280</u>	<u>\$ -</u>	<u>\$ 579,612</u>
Capital assets, being depreciated:				
Land improvements	5,000	-	-	5,000
Buildings and improvements	569,817	645,238	381,800	833,255
Machinery and Equipment	119,776	-	9,230	110,546
Total	<u>694,593</u>	<u>645,238</u>	<u>391,030</u>	<u>948,801</u>
Less accumulated depreciation for:				
Land improvements	5,000	-	-	5,000
Buildings and improvements	220,643	14,495	137,960	97,178
Machinery and equipment	90,914	5,797	9,230	87,481
Total	<u>316,557</u>	<u>20,292</u>	<u>147,190</u>	<u>189,659</u>
Total capital assets being depreciated, net	<u>378,036</u>	<u>624,946</u>	<u>243,840</u>	<u>759,142</u>
Total capital assets, net	<u>\$ 415,368</u>	<u>\$ 1,167,226</u>	<u>\$ 243,840</u>	<u>\$ 1,338,754</u>

The decrease in buildings and improvements and related accumulated depreciation reported above represents the write off of a building as explained in Note 16.

NOTE 5. CAPITAL ASSETS (CONCLUDED)**C. Discretely Presented Component Unit – Department of Public Health**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Office equipment	\$ 8,791	\$	\$	\$ 8,791
Leasehold improvements	6,580			6,580
Total	<u>15,371</u>	<u>-</u>	<u>-</u>	<u>15,371</u>
Less accumulated depreciation for:				
Office equipment	5,308	1,758	-	7,066
Leasehold Improvements	2,670	658	-	3,328
Total	<u>7,978</u>	<u>2,416</u>	<u>-</u>	<u>10,394</u>
Total capital assets being depreciated, net	<u>7,393</u>	<u>(2,416)</u>	<u>-</u>	<u>4,977</u>
Total capital assets, net	<u>\$ 7,393</u>	<u>\$ (2,416)</u>	<u>\$ -</u>	<u>\$ 4,977</u>

NOTE 6. RESTRICTED ASSETS

Restrictions on cash and cash equivalents at December 31, 2010, in the following funds are as follows:

<u>Governmental Activities:</u>	
SPLOST/Roads – for roads and bridges	\$ 2,761,349
Multiple Grant – for purposes of grants received	117,997
Nonmajor funds – for emergency services	291,211
Nonmajor funds – for sheriff and jail operations	117,538
Nonmajor fund – for juvenile services	48,957
Nonmajor fund – for technology	133,467
Nonmajor fund – for economic development	97,460
Nonmajor funds – for other purposes	<u>27,180</u>
Total restricted cash and cash equivalents	<u>\$ 3,595,159</u>

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NOTE 7. LONG-TERM DEBT**Primary Government**

The following is a summary of long-term debt activity for the year ended December 31, 2010:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 4,480,000	\$ -	\$ 285,000	\$ 4,195,000	\$ 300,000
Certificates of Participation	5,740,000	-	365,000	5,375,000	385,000
Capital leases	795,036	65,813	260,013	600,836	166,013
Total	\$ 11,015,036	\$ 65,813	\$ 910,013	\$ 10,170,836	\$ 851,013

Revenue Bonds - During the year ended December 31, 2001, the Fannin County Building Authority issued \$6,420,000 in series revenue bonds for the construction of a new jail facility and for the purchase of land for a county park. The revenue bonds bear interest at varying rates from 2.7% to 5.0% and mature in 2021. Future debt service requirements are as follows:

Calendar Year:	Principal	Interest	Total
2011	\$ 300,000	\$ 193,685	\$ 493,685
2012	315,000	180,305	495,305
2013	325,000	166,062	491,062
2014	340,000	150,930	490,930
2015	360,000	134,650	494,650
2016-2020	2,075,000	387,270	2,462,270
2021	480,000	12,000	492,000
Total	\$ 4,195,000	\$ 1,224,902	\$ 5,419,902

Certificates of Participation - During the year ended December 31, 2001, the County also issued \$8,155,000 Certificates of Participation Public Purpose Project 2001, through the Association of County Commissioners of Georgia's leasing program to help finance construction of the new Courthouse. The Certificates of Participation bear interest at rates varying from 2.7% to 5.0% and mature in 2021. Future debt service requirements are as follows:

Calendar Year:	Principal	Interest	Total
2011	\$ 385,000	\$ 248,142	\$ 633,142
2012	400,000	231,065	631,065
2013	420,000	212,815	632,815
2014	440,000	193,245	633,245
2015	460,000	172,315	632,315
2016-2020	2,655,000	480,688	3,135,688
2021	615,000	15,375	630,375
Total	\$ 5,375,000	\$ 1,553,645	\$ 6,928,645

NOTE 7. LONG-TERM DEBT (CONCLUDED)**Primary Government (Concluded)**

Capital Leases – The County has entered into lease agreements for financing the acquisition of various public safety vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present values of the future minimum lease payments. Lease interest rates vary from 4.9% to 6.1%. The total cost of vehicles financed under capital leases is \$875,208 at December 31, 2010, and such cost is included under governmental activities in the accompanying financial statements. Future debt service requirements under capital leases are as follows:

Calendar Year:	Total
2011	\$ 196,951
2012	118,474
2013	95,226
2014	95,226
2015	95,226
2016	95,226
Total minimum lease payments	696,329
Less: amount representing interest	95,493
Present value of minimum lease payments	<u>\$ 600,836</u>

Landfill Post Closure Costs – State and Federal regulations required the County to close its landfill once its capacity was reached December 31, 1996, and to monitor and maintain the site after closure. The County elected an early closure date of April 10, 1994 when capacity was at eighty percent. During 1994, engineering studies estimated post closure costs of approximately \$66,121 to complete the closure of its solid waste landfill. These costs were based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of the expected date of closure. Amounts were expensed as closure of the landfill was completed. On February 1, 2000, the County received its closure certificate; therefore, no significant future expenditures are expected. At December 31, 2010, no liability remains in accounts payable for post closure care costs.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water Authority	\$ 286,588
General Fund	Multiple Grant Fund	236,133
General Fund	SPLOST / Roads	105,983
General Fund	Nonmajor funds	27,740
SPLOST / Roads	General Fund	175,740
Nonmajor funds	SPLOST / Roads	149,656
		<u>\$ 981,840</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund receivables and payables are considered current and repayment is expected within the next fiscal year.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONCLUDED)

The composition of interfund transfers as of December 31, 2010, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Multiple Grant Fund	\$ 324,597
General Fund	Nonmajor funds	340,782
Nonmajor funds	General Fund	<u>1,120,205</u>
		<u>\$ 1,785,584</u>

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

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description – Primary Government

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

Through the adoption agreement executed by the County Board of Commissioners, the Plan is affiliated with the Association of County Commissioners of Georgia Third Restated Defined Benefit Plan (the “ACCG Plan”), an agent multiple-employer pension plan, administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan, as provided in Section 19.02 of the ACCG Plan document. ACCG issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to GEBCorp, 1100 Circle 75 Parkway, Suite 3000, Atlanta, Georgia, 30339.

Membership

As of January 1, 2010, Plan membership consisted of the following:

Retired participants, disabled and beneficiaries currently receiving benefits	34
Terminated participants and beneficiaries entitled to benefits, but not yet receiving benefits	62
Active participants	<u>146</u>
Total	<u>242</u>

Funding policy – The County is required to contribute an actuarially determined amount annually to the Plan’s trust. The recommended contribution of \$645,434 for 2010 was 14.5% of annual covered payroll. The contribution amount is determined using actuarial methods and assumptions approved by ACCG Plan trustees, and meets or exceeds the minimum contribution requirement contained in State of Georgia statutes. No contributions are required or permitted by participants. All costs of the Plan are paid by the County.

Annual Pension Cost – The County’s annual pension cost and net pension asset (obligation) for the year ended December 31, 2010, were determined as follows:

NOTE 9.

DEFINED BENEFIT PENSION PLAN (CONTINUED)

Derivation of Annual Pension Cost / Net Pension Asset	2010
Annual required contribution	\$ 645,434
Interest on net pension asset	(15,142)
Amortization of net pension asset	16,201
Annual pension cost for the year	646,493
Actual contributions to the Plan for the year	645,434
Decrease in net pension asset	1,059
Net pension asset as of January 1, 2010	195,375
Net pension asset as of December 31, 2010	\$ 194,316

There were no substantive changes in Plan provisions, actuarial methods or assumptions since the prior valuation. The following table summarizes the actuarial methods and assumptions used in the actuarial valuation of January 1, 2010.

Basis of Valuation

Current Valuation Date	January 1, 2010
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	5.0% to 7.5%
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Smoothed Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll (Closed)
Remaining Amortization Period	10

Trend Information for the Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Asset
1/1/10	\$ 646,493	\$ 645,434	99.8 %	\$ 195,375
1/1/09	611,175	620,321	101.5	186,229
1/1/08	576,982	593,235	102.8	169,976

Funding Status of the Plan

Measurement Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (prior year) (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
12/31/2010	\$5,314,449	\$6,967,196	\$1,652,747	76.3%	\$4,463,762	37.0%

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

NOTE 9. DEFINED BENEFIT PENSION PLAN (CONCLUDED)

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

NOTE 10. DEFERRED COMPENSATION PLANS

The County maintains three (3) deferred compensation plans, which were created in accordance with Internal Revenue Code Section 457. The plans are administered by independent plan administrators through an administrative agreement. The three administrators are Nationwide Retirement Solutions, GEBCorp and Valic. The County does not contribute funds to any of the plans. Member employees may elect to defer a portion of their salary until future years. Such deferred compensation is not available to the employees until termination, retirement, death, or financial hardship. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributable to those amounts, are solely the property and rights of the participants in the plans. During the year ended December 31, 2010, employees contributed approximately \$28,000 to the plans.

NOTE 11. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases commercial insurance to cover property and liability and professional liability claims. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded insurance coverage in the past three years.

The County participates in the Association of County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments. As part of this risk pool, the County is obligated to pay all contributions and assessments as prescribed by the fund, to cooperate with the fund's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the fund's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The fund's purpose is to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers compensation law of Georgia. The fund is to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation, or defense.

The County has insurance coverage with ACCG. Insurance coverage and deductible options for property, casualty and crime under the policy are selected by the County's management based on the anticipated needs. The County is required to pay all premiums, applicable deductibles, and assessments billed by ACCG, as well as follow loss reduction and prevention procedures established by ACCG.

ACCG's responsibility includes paying claims, and representing the County in defense and settlement of claims. ACCG's basis for establishing the liabilities for unpaid claims is established by an actuary. The County is unaware of any claims for which the County is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2010.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Litigation:

The County and the County Sheriff's Office are currently involved in various pending or threatened legal actions. The County, the Sheriff's Office and the County's insurance carrier are vigorously defending each of these actions. In the opinion of management and legal counsel, liability to the County, if any, which might result from these proceedings, is not considered a likely occurrence and would not have a material adverse affect on the financial position of the County.

Grant Contingencies:

The County has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the County believes such disallowances, if any, will not be significant.

Construction and Other Significant Commitments:

As discussed in Note 1, the newly formed Water Authority was approved by the State of Georgia as a political subdivision of the State in April, 2010. The general purposes of the Water Authority are to acquire, construct, equip, maintain and operate water supply, treatment, and distribution facilities and sewerage collection, treatment, and distribution facilities, making such facilities and services available to consumers located in Fannin County. System design and engineering is currently in progress. Phase One of this project is anticipated by management to cost approximately \$8 million. Costs incurred to date by the Water Authority of \$286,588 have been financed with cash reserves in the County's General Fund. Additional expenditures by the General Fund to date of \$363,734 have been for the purchase of two parcels of land for use as quarry and well sites. The land is deeded to Fannin County.

Management anticipates obtaining project financing through grants or other sources which may include revenue bonds, certificates, or other obligations of the Water Authority. Such financing will allow the Water Authority to repay the General Fund for expenditures paid on behalf of the Water Authority.

NOTE 13. HOTEL/MOTEL LODGING TAX

During the year ended December 31, 2010, the county spent \$442,359 to promote tourism, conventions and trade shows. This is 100% of the tax receipts to be expended for these purposes under the Official Code of Georgia Annotated 48-13-51. The County complies with the requirement under this law.

NOTE 14. RELATED PARTIES

The County entered into a license agreement on June 25, 1986 with the Tennessee Valley Authority (TVA) whereby the County has use of four TVA houses and land adjoining the Lake Blue Ridge dam site. The County is responsible for the maintenance, upkeep, and security of these properties. This responsibility has been delegated to the Fannin County Recreation Department. The director of the Fannin County Recreation Department, as a condition of his employment and with TVA's knowledge, lives in one of the houses to provide these services.

NOTE 15. JOINT VENTURES

Under Georgia law, the County, in conjunction with other counties and cities in the area, is a member of the North Georgia Mountain Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended December 31, 2010, the County paid such dues in the amount of \$20,558. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia.

NOTE 15. JOINT VENTURES (CONCLUDED)

The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

North Georgia Regional Development Center
503 West Waugh Street
Dalton, Georgia 30720

NOTE 16. PRIOR PERIOD ADJUSTMENTS

During 2009, the County expended funds for professional fees in connection with the new Fannin County Water Authority, formally approved by the State of Georgia in April, 2010. Following approval, management determined the County would be reimbursed the amounts expended in 2009. Accordingly, the following adjustment was recorded to reflect these funds as due from the Fannin County Water Authority:

	General Fund Fund Balance	Government Wide Net Assets
December 31, 2009, as previously reported	\$ 9,413,332	\$ 36,596,864
Adjustment to record reimbursement of professional fees	134,537	134,537
December 31, 2009, as restated	<u>\$ 9,547,869</u>	<u>\$ 36,731,401</u>

During 2010, the Fannin County Development Authority determined that a certain building previously recorded as an asset of the Authority, was not legally owned. Accordingly, the book value of the building was written off during the year and the following adjustment was recorded to fund balance:

<u>Fannin County Development Authority</u>	<u>Fund Balance</u>
December 31, 2009, as previously reported	\$ 1,646,541
Adjustment to write off book value of building	(243,840)
December 31, 2009, as restated	<u>\$ 1,402,701</u>

REQUIRED SUPPLEMENTARY INFORMATION

**FANNIN COUNTY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR THE
FANNIN COUNTY RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2010	\$5,314,449	\$6,967,196	\$1,652,747	76.3%	\$4,463,762	37.0%
12/31/2009	\$4,670,221	* \$4,604,285	\$1,734,064	72.9%	\$4,300,864	40.3%
12/31/2008	\$4,042,826	\$5,960,678	\$1,917,852	67.8%	\$4,187,631	45.8%
12/31/2007	\$3,681,844	\$5,268,811	\$1,586,967	69.9%	\$3,725,899	42.6%
12/31/2006	\$3,077,092	\$4,694,743	\$1,617,651	65.5%	\$3,399,560	47.6%
12/31/2005	\$2,571,649	\$4,597,030	\$2,025,381	55.9%	\$3,278,741	61.8%

Effect of plan changes on the actuarial accrued liability

The effect on the actuarial accrued liability of any current-year changes in actuarial assumptions or benefit provisions is as follows:

The effect of any changes in plan provisions will be provided upon request. The actuarial assumptions in 2010 are the same as those used in the preceding valuation.

* Reflects change to asset smoothing adopted in 2009 by the ACCG Pension Plan and Trust Board of Trustees.

Effect of plan changes on recommended contributions

The effect on the recommended contributions of any current-year changes in actuarial assumptions, benefit provisions or actuarial funding method is as follows:

The effect of any changes in plan provisions will be provided upon request. The actuarial assumptions and cost methods in 2010 are the same as those used to determine the contribution requirement for the preceding year.

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

OTHER SUPPLEMENTARY INFORMATION

**FANNIN COUNTY, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

Law Library Fund	To account for revenues generated through special filing charges in the County court system which are used to acquire and maintain library materials.
Confiscated Assets	To account for confiscated cash seizures by Fannin County law enforcement from drug related crimes. Funds may be used for any public safety purpose except salaries of law enforcement personnel
E911	To account for receipt of fees imposed on land and wireless telephone lines in the County used to offset the operating and personnel costs of providing emergency services
Crime Victims Assistance	To account for the 4% fee added to Court fines to benefit the victims of crime and their families.
Drug	To account for the collection of penalty assessments in certain court cases. Proceeds may be expended only for drug abuse treatment and education programs.
Jail	To account for collection of penalty assessments in certain court cases. Proceeds are restricted for construction, operation, and staffing of the County's correction and detention center.
Juvenile	To account for collection of penalty assessments in juvenile related cases. Proceeds may be expended for operations, staffing, and juvenile related programs.
Excise Tax Lodging	To account for monies received for tourism promotions within the County.
Clerks Technology	To account for monies received from the Georgia Superior Court Clerks Cooperative Association for technology upgrades in the Clerk of Courts' Office.
Revolving Loan	To account for activities connected with a note receivable for a loan made with monies received from the USDA. As funds are accumulated, loans will be made for the economic development of the County.
Donations/Special Projects	To construct capital projects for use by the County and to account for donations or other revenues received for these purposes.

Capital Projects Funds

SPLOST/Capital Improvements	To account for financial resources provided from the Certificates of Participation and Special Purpose Local Option Sales Tax where such resources are to be used for prescribed projects.
Building Authority	To account for financial resources used to acquire, construct and maintain capital projects for use by the County.

**FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Special Revenue						
	Law Library	Confiscated Assets	E911	Crime Victims Assistance	Drug	Jail	Juvenile
ASSETS							
Cash and cash equivalents	\$ 25,242	\$ 2,983	\$ 291,211	\$ 19,371	\$ 41,115	\$ 54,069	\$ 48,957
Accounts receivable	-	-	49,146	550	-	20	465
Due from other funds	-	-	-	-	-	-	-
Prepaid items	-	-	6,387	-	-	-	-
Total assets	<u>\$ 25,242</u>	<u>\$ 2,983</u>	<u>\$ 346,744</u>	<u>\$ 19,921</u>	<u>\$ 41,115</u>	<u>\$ 54,089</u>	<u>\$ 49,422</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 1,410	\$ 16,615	\$ -	\$ -	\$ -
Due to other funds	-	-	22,220	-	-	5,520	-
Total liabilities	<u>-</u>	<u>-</u>	<u>23,630</u>	<u>16,615</u>	<u>-</u>	<u>5,520</u>	<u>-</u>
FUND BALANCES							
Unreserved	<u>25,242</u>	<u>2,983</u>	<u>323,114</u>	<u>3,306</u>	<u>41,115</u>	<u>48,569</u>	<u>49,422</u>
Total fund balances	<u>25,242</u>	<u>2,983</u>	<u>323,114</u>	<u>3,306</u>	<u>41,115</u>	<u>48,569</u>	<u>49,422</u>
Total liabilities and fund balances	<u>\$ 25,242</u>	<u>\$ 2,983</u>	<u>\$ 346,744</u>	<u>\$ 19,921</u>	<u>\$ 41,115</u>	<u>\$ 54,089</u>	<u>\$ 49,422</u>

Continued

**FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Special Revenue				Capital Projects		Total
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	SPLOST/ Capital Improvements	Building Authority	
ASSETS							
Cash and cash equivalents	\$ 1,938	\$ 133,467	\$ 97,460	\$ 20,738	\$ 2,581	\$ -	\$ 739,132
Accounts receivable	44,346	-	20,000	-	-	-	114,527
Due from other funds	-	-	-	-	149,656	-	149,656
Prepaid items	-	-	-	-	-	-	6,387
Total assets	<u>\$ 46,284</u>	<u>\$ 133,467</u>	<u>\$ 117,460</u>	<u>\$ 20,738</u>	<u>\$ 152,237</u>	<u>\$ -</u>	<u>\$ 1,009,702</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 44,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,371
Due to other funds	-	-	-	-	-	-	27,740
Total liabilities	<u>44,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,111</u>
FUND BALANCES							
Unreserved	1,938	133,467	117,460	20,738	152,237	-	919,591
Total fund balances	<u>1,938</u>	<u>133,467</u>	<u>117,460</u>	<u>20,738</u>	<u>152,237</u>	<u>-</u>	<u>919,591</u>
Total liabilities and fund balances	<u>\$ 46,284</u>	<u>\$ 133,467</u>	<u>\$ 117,460</u>	<u>\$ 20,738</u>	<u>\$ 152,237</u>	<u>\$ -</u>	<u>\$ 1,009,702</u>

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue						
	Law Library	Confiscated Assets	E911	Crime Victims Assistance	Drug	Jail	Juvenile
REVENUES							
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Fines and forfeitures	12,777	6,293	-	16,544	12,915	28,747	5,581
Charges for services	-	-	387,986	-	-	-	-
Investment income	268	-	5,029	42	303	289	294
Total revenues	13,045	6,293	393,015	16,586	13,218	29,036	5,875
EXPENDITURES							
Current:							
Judicial	19,283	-	-	-	-	-	1,652
Public safety	-	3,851	583,745	16,615	15,536	15,454	-
Housing and development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay:							
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	19,283	3,851	583,745	16,615	15,536	15,454	1,652
Excess (deficiency) of revenues over (under) expenditures	(6,238)	2,442	(190,730)	(29)	(2,318)	13,582	4,223
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(339,508)	-	-	-	-
Total other financing sources (uses)	-	-	(339,508)	-	-	-	-
Net change in fund balances	(6,238)	2,442	(530,238)	(29)	(2,318)	13,582	4,223
FUND BALANCES, beginning of year	31,480	541	853,352	3,335	43,433	34,987	45,199
FUND BALANCES, end of year	\$ 25,242	\$ 2,983	\$ 323,114	\$ 3,306	\$ 41,115	\$ 48,569	\$ 49,422

Continued

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue				Capital Projects		Total
	Excise Tax Lodging	Clerks Technology	Revolving Loan	Donations/ Special Projects	SPLOST/ Capital Improvements	Building Authority	
REVENUES							
Other taxes	\$ 442,358	-	\$ -	\$ -	\$ -	\$ -	\$ 442,358
Intergovernmental	-	29,852	-	-	-	-	29,852
Fines and forfeitures	-	-	-	-	-	-	82,857
Charges for services	-	-	-	-	-	-	387,986
Investment income	33	106	689	216	1,078	-	8,347
Total revenues	442,391	29,958	689	216	1,078	-	951,400
EXPENDITURES							
Current:							
Judicial	-	5,711	-	-	-	-	26,646
Public safety	-	-	-	-	-	-	635,201
Housing and development	442,359	-	-	-	-	-	442,359
Culture and recreation	-	-	-	1,382	-	-	1,382
Capital outlay:							
Culture and recreation	-	-	-	345,088	350,474	-	695,562
Debt service:							
Principal	-	-	-	-	365,000	285,000	650,000
Interest	-	-	-	-	264,085	206,120	470,205
Total expenditures	442,359	5,711	-	346,470	979,559	491,120	2,921,355
Excess (deficiency) of revenues over (under) expenditures	32	24,247	689	(346,254)	(978,481)	(491,120)	(1,969,955)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	629,085	491,120	1,120,205
Transfers out	-	-	-	-	-	(1,274)	(340,782)
Total other financing sources (uses)	-	-	-	-	629,085	489,846	779,423
Net change in fund balances	32	24,247	689	(346,254)	(349,396)	(1,274)	(1,190,532)
FUND BALANCES, beginning of year	1,906	109,220	116,771	366,992	501,633	1,274	2,110,123
FUND BALANCES, end of year	\$ 1,938	133,467	\$ 117,460	\$ 20,738	\$ 152,237	\$ -	\$ 919,591

Concluded

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2010

	<u>Clerk of Superior Court</u>	<u>Judge of Probate Court</u>	<u>Magistrate Court</u>	<u>Sheriff</u>	<u>Tax Commissioner</u>	<u>Total Agency Funds</u>
ASSETS						
Cash	\$ 72,352	\$ 4,858	\$ 1,473	\$ -	\$ 3,646,398	\$ 3,725,081
Restricted cash	102,853	264	9,148	22,634	83,991	218,890
Taxes receivable	-	-	-	-	4,198,616	4,198,616
Total Assets	<u>\$ 175,205</u>	<u>\$ 5,122</u>	<u>\$ 10,621</u>	<u>\$ 22,634</u>	<u>\$ 7,929,005</u>	<u>\$ 8,142,587</u>
LIABILITIES						
Due to others	<u>\$ 175,205</u>	<u>\$ 5,122</u>	<u>\$ 10,621</u>	<u>\$ 22,634</u>	<u>\$ 7,929,005</u>	<u>\$ 8,142,587</u>
Total Liabilities	<u>\$ 175,205</u>	<u>\$ 5,122</u>	<u>\$ 10,621</u>	<u>\$ 22,634</u>	<u>\$ 7,929,005</u>	<u>\$ 8,142,587</u>

FANNIN COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER, 31 2010

	EXPENDITURES				Estimated % of Completion
	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	
Special Local Option Sales Tax					
2000 Projects:	\$ 12,930,000	\$ 12,930,000	\$ 16,543,541	\$ 350,474	\$ 16,894,015
Roads and Bridges Improvements	\$ 6,465,000	\$ 6,465,000	\$ 7,897,707	\$ -	\$ 7,897,707
Capital Improvements:					
Health Department	\$ 500,000	\$ 500,000	784,113	-	784,113
Detention Center & Courthouse	\$ 5,965,000	\$ 5,965,000	7,690,696	350,474	8,041,170
Recreation Department	\$ -	\$ -	171,025	-	171,025
Total 2000	\$ 25,000,000	\$ 25,000,000	\$ 16,543,541	\$ 350,474	\$ 16,894,015
2005 Projects:	\$ 25,000,000	\$ 25,000,000	\$ 20,633,651	\$ 3,392,438	\$ 24,026,089
Roads and Bridges Improvements	\$ 25,000,000	\$ 25,000,000	\$ 18,716,505	\$ 2,994,680	\$ 21,711,185
Contractual Payments:					
City of Blue Ridge	\$ -	\$ -	1,010,558	209,200	1,219,758
City of McCaysville	\$ -	\$ -	906,588	188,558	1,095,146
Total 2005	\$ 25,000,000	\$ 25,000,000	\$ 20,633,651	\$ 3,392,438	\$ 24,026,089
					87%

The above schedule has been prepared on the modified accrual basis of accounting.

Additional expenditures during the year of \$629,085 by the SPLOST/ Capital Improvements Fund for debt service in connection with the 2000 Projects were financed with transfers from the General Fund.

FANNIN COUNTY, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER, 31 2010

<u>State Program Name</u>	<u>Contract Number</u>	<u>Current Year</u>		<u>Amount Due from (to) State</u>
		<u>Received</u>	<u>Expended</u>	
Family Connections	93-10100310-99	\$ 34,500	\$ 34,500	\$ -
Family Connections	93-11110091-99	10,562	10,562	10,562

INTERNAL CONTROL AND COMPLIANCE

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of and for the year ended December 31, 2010, which collectively comprise Fannin County, Georgia's basic financial statements and have issued our report thereon dated April 29, 2011. We did not audit the financial statements of the Fannin County Department of Public Health. Those financial statements were audited by other auditors whose reports have been furnished to us. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fannin County, Georgia's internal control over financial reporting as a basis for designing our auditing 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 Fannin County Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fannin 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, 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.

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. However, we identified certain deficiencies in internal control over financial reporting, described below in Items 06-02 and 05-01, that we consider to be significant deficiencies in internal control over financial reporting. 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.

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

Repeat findings from prior year(s)

06-02 Reconciliation of Bank Account

Criteria: The County and its separately elected public officials maintain significant amounts of cash. An important part of the internal control structure over cash includes ensuring all cash accounts are reconciled to the corresponding bank statement at the end of each month.

Condition/Context: During our audit, we noted a certain public safety cash account had not been correctly reconciled to the corresponding bank statement for this account throughout the year.

Effect: Failing to correctly reconcile a cash account to the corresponding bank statement each month increases the risk that undetected errors may occur in the processing of cash transactions or that cash may be misappropriated.

Cause: Proper reconciliations of the public safety cash account were not performed due to a lack of understanding or training on the accounting software used to maintain this cash account, and due to management oversight.

Recommendation: We recommend that management immediately initiate procedures to ensure that proper monthly bank reconciliations are prepared for this cash account by an employee who does not also have access to cash or check signing authority in connection with this account. Additionally, these reconciliations should be reviewed a knowledgeable individual other than the preparer.

Response: The cash account has now been reconciled for all of 2010. In addition, public safety and County management are initiating procedures to insure this cash account is properly reconciled to the corresponding bank statement on a timely basis each month by an independent employee with no other responsibilities over the cash maintained in this account.

05-01 Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Policies should be in place requiring the proper segregation of certain duties.

Condition/Context: During our audit, we noted two areas where segregation of duties could be improved, one within the offices of Emergency Management Services and the other in the offices of the Development Authority. Segregation of duties issues identified primarily involve conflicts between handling (or having access to) cash within the cash receipt or disbursement process, recording cash transactions in the accounting records, and reconciling cash accounts to bank statements. When the same employee performs two or more of these duties, weaknesses exist. We noted instances where the employee who receives cash is also the employee who records cash in the accounting system. We additionally noted instances where the employee who prepares disbursement checks is also the employee who mails the checks after signature, and where the authorized check signer is not independent of check preparation and bank reconciliation duties.

Effect: A lack of segregation of duties within these responsibilities can increase the exposure of cash to misappropriation or to errors in recording cash transactions.

Cause: Due to the limited number of employees working in the various offices identified above, segregation of duties is difficult to achieve.

Recommendation: We recommend that management and elected officials continually evaluate employees' responsibilities and the design of an effective accounting system looking for opportunities to improve segregation of duties. Changes that improve segregation of duties will reduce the potential for errors or misappropriation of County assets.

Response: Due to the limited number of employees in the offices and departments in question, it is difficult to accomplish complete segregation of duties. Nevertheless, management and elected officials will continue to review daily procedures and responsibilities in an effort to identify ways to increase segregation of duties and improve oversight where necessary in order to reduce risk.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fannin County, Georgia's financial statements are free 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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:

Current year finding:

10-01 Commingling SPLOST Monies

Criteria: The County is responsible for segregating SPLOST funds in a separate account from other funds of the County and not in any manner commingling SPLOST funds with other County funds as required by the Official Code of Georgia section 48-8-121.

Condition/Context: During 2009, the SPLOST /Roads Fund was reimbursed by other governments for projects completed on their behalf. When the reimbursements were received, the monies were inadvertently deposited to the General Fund instead of the SPLOST/Roads Fund.

Effect: The deposit of these reimbursements to the General Fund appears to be in violation of State law.

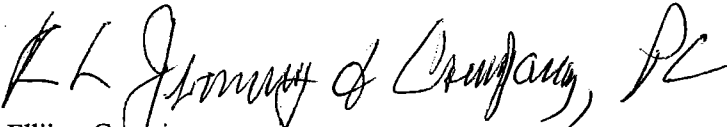
Cause: When the reimbursement checks were received, they were not initially identified as belonging to SPLOST/Roads. As a result, they were inadvertently deposited to the General Fund.

Recommendation: In order to regain compliance with State law, we recommend that these funds be immediately transferred to the SPLOST/Roads Fund.

Response: The County agrees with this finding and will transfer these monies from the General Fund to the SPLOST/Roads Fund as soon as possible.

Fannin County, Georgia's response to the findings identified in our audit is described above. We did not audit Fannin County, Georgia's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Ellijay, Georgia
April 29, 2011