

FANNIN COUNTY, GEORGIA

Annual Financial Report

For the year ended December 31, 2017

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FANNIN COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
For the year ended December 31, 2017

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Independent Auditor's Report

Honorable Chairman and
Members of the Board Commissioners
Fannin County, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2017, and the related notes to the financial statements, which collectively comprise Fannin County, Georgia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fannin County Department of Public Health or the Fannin County Water Authority, which represent 70.3% of the assets, 66.8% of the net position, and 80.7% of the revenues of the County's component units for the year ended December 31, 2017. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fannin County Department of Public Health and the Fannin County Water Authority, is based solely on the reports 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Fannin County, Georgia, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparisons of the General Fund and Excise Tax Lodging Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4 through 13 and 69 through 72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fannin County, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of completed state awards expended are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of completed state awards expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of completed state awards expended are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2018, on our consideration of Fannin County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fannin County, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 25, 2018

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Stan Helton
Commission Chairman

Earl Johnson
Post I Commissioner

Larry Joe Sosebee
Post II Commissioner

Fannin County Board of Commissioners

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fannin County management is proud to present this narrative discussion and analysis of Fannin County's financial performance, making available an overview of the activities for the fiscal year ended December 31, 2017. This report is drafted annually to provide readers of financial statements with information that will help them make timely and meaningful financial decisions or draw conclusions about Fannin County. As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, this discussion and analysis affords comparisons with the previous fiscal year.

Financial Highlights

- Fannin County's assets exceeded its liabilities at December 31, 2017 by \$41,430,314 (*net position*). Of this amount, \$9,719,033 is reported as unrestricted net position. This is a decrease of \$350,658 from the previous fiscal year for unrestricted. Total net position increased by \$1,552,913 from the previous fiscal year as the result of operations.
- As of December 31, 2017, Fannin County's governmental funds reported combined ending fund balances of \$17,777,271. Approximately 58% of this total amount, or \$10,314,184, is reported as unassigned and available for spending at the County's discretion. Approximately 33%, or \$5,859,730, is restricted for capital outlay. Information about Fannin County's policy on fund balance can be found in Note 2R in the *Notes to the Financial Statements* beginning on page 40.

More detailed information regarding these activities and funds begins on page 8.

Overview of the Financial Statements

This discussion and analysis narrative is intended to serve as an introduction to Fannin County's basic financial statements. Fannin County's basic financial statements are composed of three elements: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains required supplementary information in addition to our basic financial statements.

Government-wide Financial Statements (Reporting the County as a Whole)

The focus of the government-wide financial statements is on the overall financial position and activities of Fannin County and is designed to provide a broad overview of the County's financial activities in a manner similar to a private business enterprise.

The County's government-wide financial statements include the Statement of Net Position and the Statement of Activities. These two statements report information about Fannin County using the accrual basis of accounting, which is similar to the accounting used by non-public businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The purpose of the **Statement of Net Position** (pages 14-15) is to report all of the assets held and liabilities owed by the County. The County reports all of its assets when it acquires ownership over the assets and reports all of its liabilities when they are incurred. The difference between the total assets and total liabilities is labeled *net position*. While the purpose of County Government is not to accumulate net position, as this amount increases it can indicate the strength of the County's financial position as a whole. When this amount decreases it can indicate a weakening of the County's financial position.

The **Statement of Activities** (page 16) presents the revenues and expenses of the County. Under the accrual basis of accounting, revenues are recognized when earned and expenses when incurred in this statement. Thus, revenues are reported even when they may not be collected for several weeks after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period. The difference is described as *change in net position*. The Statement of Activities primary focus is on the *net cost* of various activities provided by the County and identifies the extent to which each function of the County draws from general revenues or is self-financing through user fees, special revenues, grants, or other sources.

In the Statement of Net Position and the Statement of Activities, we divide Fannin County into two types of activities:

- **Governmental activities** – Most of the County's basic services are reported under this category which includes: judicial, public safety, public works, and general administration. Taxes such as: real property, sales, insurance premium and intangible finance most of these services.
- **Discretely Presented Component Units** – A component unit is a legally separate organization for which the elected officials of the County are financially accountable. The Fannin County Department of Public Health, Fannin County Development Authority, and Fannin County Water Authority, although legally separate, function for all practical purposes as departments of Fannin County, and therefore have been included as an integral part of the primary government.

The County's government-wide financial statements are presented on pages 14-16.

Fund Financial Statements (Reporting the County's Major Funds)

The focus of fund financial statements is directed at specific activities of the County and its most significant funds, not the County as a whole. A fund is an entity with a self-balancing set of accounts that the County uses to track specific resources and expenditures, either for management purposes or because of legal mandates. In addition to the major funds, individual fund data for the County's non-major funds can be found beginning on page 73. The County's funds are divided into two broad categories: governmental and fiduciary. They use different prescribed accounting methodologies.

- ***Governmental Funds*** – These funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on the short-term view of the County's general government operations and the basic services it provides. Governmental funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of the governmental fund financial statements is narrower than that of the government-wide financial statements and because of the different accounting methods used to prepare them, there are often significant differences between the totals presented in these financial statements. It is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. An analysis of the balance sheet and the statement of revenues, expenditures, and changes in fund balances that reconciles the two statements are provided following each statement.

Fannin County maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Excise Tax Lodging Special Revenue Fund, SPLOST / Roads Capital Projects Fund, SPLOST / Capital Improvements Capital Projects Fund, and 2017 SPLOST Capital Projects Fund, which are considered major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 73-76 of this report.

Fannin County adopts an annual appropriated budget for its General Fund and special revenue funds. A budgetary comparison statement has been included for the General Fund and Excise Tax Lodging Special Revenue Fund to show the final result of actual revenues and expenditures as compared to the initial projections.

The County's basic governmental fund financial statements are presented on pages 17-25 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs and services. The accounting used for fiduciary funds is similar to that used for proprietary funds. Fiduciary funds are presented in the fund financial statements but are not reported in the government-wide financial statements. The fiduciary fund financial statements are presented on page 26.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-68 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the County's defined benefit pension plan. The required supplementary information can be found on pages 69-72 of this report.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental funds. These funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the government-wide financial statements.

This report includes two schedules (pages 19 and 22) which reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with the governmental activities reported on the government-wide financial statements (accrual basis of accounting). The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities on the government-wide statements are not reported on fund financial statements.
- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements but as deferred inflows of resources on the fund statements.
- Unless due and payable, long-term liabilities, such as lease obligations, compensated absences, bonds and notes payable, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements but is reported as expenditures on the governmental fund financial statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements but are reported as expenditures on the governmental fund financial statements.

Overview of the County's Financial Position and Operations

The County's overall financial position and operations for this fiscal year is summarized as follows based on the information included in the government-wide financial statements (see pages 14-16):

Fannin County Net Position Fiscal Years 2017 and 2016

	Governmental Activities	
	2017	2016
Current assets	\$ 20,016,970	\$ 19,157,475
Capital assets	29,902,352	29,234,723
Total assets	49,919,322	48,392,198
Deferred outflows of resources	2,464,565	1,792,101
Current liabilities	3,061,179	2,404,872
Noncurrent liabilities	7,461,408	7,365,919
Total liabilities	10,522,587	9,770,791
Deferred inflows of resources	430,988	536,107
Net position:		
Net investment in capital assets	24,965,508	23,779,629
Restricted	6,745,773	6,028,081
Unrestricted	9,719,033	10,069,691
Total net position	\$ 41,430,314	\$ 39,877,401

Net position may serve over time as a useful indicator of a government's financial position. Assets for Fannin County exceeded liabilities by \$41,430,314 at the close of fiscal year 2017. Approximately 60% of Fannin County's net position is reflected in its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt outstanding that was needed to construct or acquire them. This percentage remained the same as the percentage at December 31, 2016. The County uses capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 16%. This amount represents resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position comprises the remaining 24% of net position.

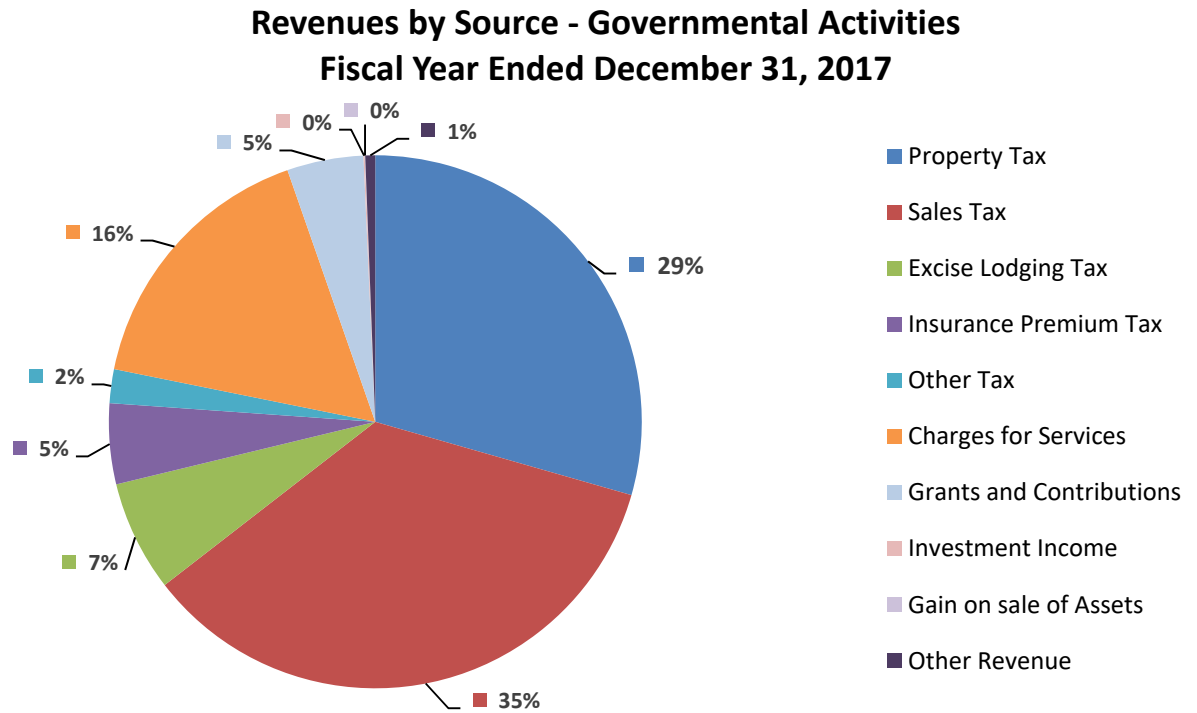
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how Fannin County's net position changed during the fiscal year.

**Fannin County
Changes in Net Position
Fiscal Years 2017 and 2016**

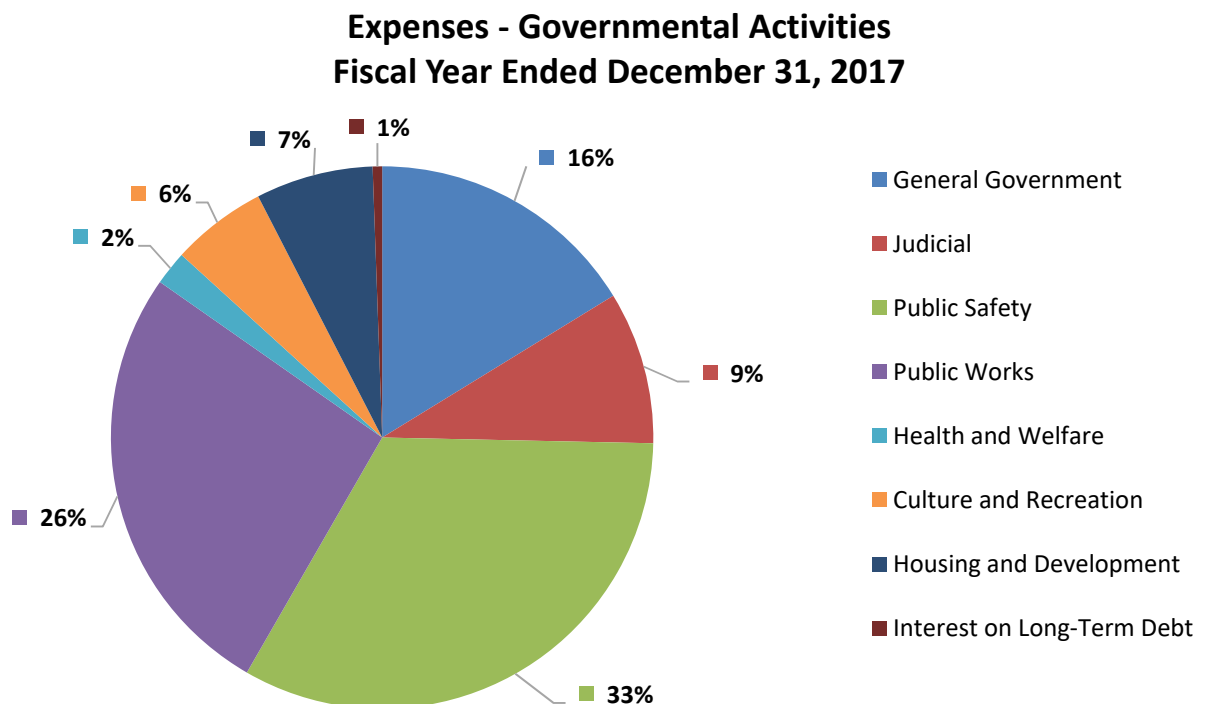
	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 4,232,685	\$ 4,095,941
Operating grants and contributions	264,679	339,638
Capital grants and contributions	926,992	158,717
General revenues:		
Property tax	7,557,138	7,252,447
Sales tax	9,004,696	8,428,499
Excise lodging tax	1,724,447	1,541,726
Insurance premium tax	1,255,865	1,175,440
Other taxes	528,272	483,863
Interest & investment earnings	19,178	14,774
Gain on sale of assets	7,000	0
Other revenue	154,489	381,960
Total revenues	25,675,441	23,873,005
Expenses		
General government	3,907,456	2,913,452
Judicial	2,185,570	2,152,117
Public Safety	7,932,364	7,638,104
Public Works	6,351,337	6,308,555
Health and Welfare	488,315	446,059
Culture and Recreation	1,368,707	1,407,667
Housing and Development	1,683,902	1,577,692
Interest on long-term debt	134,002	155,989
Total expenses	24,051,653	22,599,635
Increase (decrease) in net position	1,623,788	1,273,370
Net position - beginning (original)	39,877,401	38,604,031
Prior period adjustments	(70,875)	0
Net position - beginning (restated)	39,806,526	38,604,031
Net position - ending	\$ 41,430,314	\$ 39,877,401

Governmental Activities –

The following chart illustrates revenues of the governmental activities for the fiscal year:



The following chart illustrates the expenses of the governmental activities for the fiscal year:



Financial Analysis of the County's Funds

Fannin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The main focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of unrestricted resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- 1) As the County completed this fiscal year, its governmental funds reported a combined ending fund balance of \$17,777,271. Of this amount, \$10,314,184 (58%) constitutes unassigned fund balance, which is available for appropriation for the general purposes of the funds in accordance with the Fannin County policy on fund balance.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10,314,184, while total fund balance reached \$11,024,644. Unassigned fund balance represents approximately 94% of total fund balance in the General Fund. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 56% of total General Fund expenditures, while total fund balance represents approximately 59% of that same amount. The County ended the fiscal year realizing a decrease in the overall fund balance in the General Fund by \$339,241, or approximately 3%. The County decreased unassigned fund balance in the General Fund by \$956,460, or 8%. The County decreased fund balance of the General Fund in 2016 by \$807,674. The decrease was less than the decrease in the prior year due in large part to a significant increase in revenues with a smaller increase in expenditures.

At the end of the current fiscal year, the Excise Tax Lodging Special Revenue Fund had total fund balance of \$1,322, which is assigned for Tourism. Fund balance of the Excise Tax Lodging Special Revenue Fund slightly decreased by \$829 during 2017.

At the end of the current fiscal year, the SPLOST / Roads Capital Projects Fund had total fund balance of \$3,784,177, which is restricted for capital outlay. Fund balance of the SPLOST / Roads Capital Projects Fund increased \$172,028 during 2017 due to receipts of SPLOST revenues at a faster pace than continued spending on capital projects.

At the end of the current fiscal year, the SPLOST / Capital Improvements Capital Projects Fund had total fund balance of \$907,288, which is restricted for capital outlay. Fund balance of the SPLOST / Capital Improvements Capital Projects Fund decreased \$499,368 during 2017 due to continued spending on capital projects in excess of transfers.

At the end of the current fiscal year, the 2017 SPLOST Capital Projects Fund had total fund balance of \$1,170,791, which is restricted for capital outlay. Fund balance of the 2017 SPLOST Capital Projects Fund increased \$1,170,791 during 2017 due to receipts of SPLOST revenues at a faster pace than spending on capital projects.

General Fund Budget Highlights

The original budget for the General Fund was amended reflecting grant awards, reimbursements, insurance claims, as well as unanticipated revenues and expenditures. The Board of Commissioners also approved interdepartmental transfers. Overall, the General Fund revenues and expenditures budgets were amended to reflect actual performance.

The County budgeted to use \$556,505 of fund balance in the General Fund for use in fiscal year 2018. Current General Fund revenues are meeting estimates for fiscal year 2018 and the General Fund fund balance is expected to remain similar.

Capital Assets and Debt Administration

Capital Assets. Fannin County has invested \$29,902,352 in capital assets (net of accumulated depreciation) compared to \$29,234,723 in the previous fiscal year. This represents an increase of 2.3%. Capital assets held by the County at fiscal year-end are summarized as follows:

Fannin County
Capital Assets (net of accumulated depreciation)
Fiscal Years 2017 and 2016

	Governmental Activities	
	2017	2016
Land	\$ 2,253,633	\$ 2,253,633
Construction in progress	1,195,136	266,250
Infrastructure	26,684,772	26,684,772
Buildings and improvements	19,927,465	19,720,081
Machinery and equipment	13,719,960	12,383,400
Total	63,780,966	61,308,136
Accumulated depreciation	(33,878,614)	(32,073,413)
Net Capital Assets	\$ 29,902,352	\$ 29,234,723

Major capital asset expenditures during the current fiscal year for governmental activities included the following:

- Resurfacing / paving various County roads
- Purchase of a new server for the Board of Commissioners office
- Purchases of vehicles for various departments
- Purchase of a refurbished ambulance
- Purchase of recreation, road, and EMS equipment

Additional information on Fannin County's capital assets can be found in Note 9 on pages 48-50 of this report.

Debt. On December 31, 2017, Fannin County had a total long-term debt balance outstanding for governmental activities in the amount of \$4,613,063, as compared to \$5,446,793 the previous fiscal year. Fannin County's outstanding debt for governmental activities decreased by \$833,730 during the course of the fiscal year due to payments in accordance with payment schedules that exceeded issuance of new debt.

Additional information on the County's long-term debt can be found in Note 11 on pages 51-56 of this report.

Economic Condition and Outlook

Fannin County provides excellent public service with a goal of maintaining a healthy fund balance each year. The local economy is supported by continued growth in tourism, cabin rentals and the home building industry. The County's current unemployment rate is below the State unemployment rate.

The County is optimistic that business and revenue growth will continue. Consistent economic policies by the County over the years have proven to be successful. There are several key factors considered in preparation for the 2018 and 2019 budgets. Fannin County's strong financial position, including the approval of the new six (6) year special purpose local option sales tax, and continued strong credit rating insures that the County is ready to meet future challenges.

Contacting the County

This financial report is designed to provide County citizens, taxpayers, customers, and creditors with a general overview of Fannin County's finances and to demonstrate the County's high level of accountability for the revenue it receives and the services it provides. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Fannin County Finance Department
400 West Main Street, Suite 100
Blue Ridge, Georgia 30513
Telephone: 706-632-2203

BASIC FINANCIAL STATEMENTS

FANNIN COUNTY, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government Governmental Activities		Component Units		
		Fannin County Department of Public Health	Fannin County Development Authority	Fannin County Water Authority	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 16,881,805	\$ 286,591	\$ 255,060	\$ 83,286	
Certificates of deposit	528,822	0	0	0	
Restricted cash and cash equivalents	0	0	0	675,420	
Receivables (net)					
Accounts	383,832	37,884	0	18,376	
Intergovernmental	188,340	0	298,846	0	
Taxes	1,874,686	0	0	0	
Receivable from primary government	0	1,027	0	85,923	
Inventories	14,717	630	0	23,961	
Prepaid items	144,770	0	6,878	7,212	
Total current assets	20,016,972	326,132	560,784	894,178	
Noncurrent assets					
Capital assets					
Non-depreciable	3,448,769	0	142,371	79,057	
Depreciable (net)	26,453,583	17	701,326	4,723,892	
Other assets					
Property held for resale	0	0	1,199,020	147,300	
Total noncurrent assets	29,902,352	17	2,042,717	4,950,249	
Total assets	49,919,324	326,149	2,603,501	5,844,427	
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date	784,293	67,451	0	0	
Pension investment return differences	464,782	53,487	0	0	
Pension assumption changes	710,193	4,456	0	0	
Pension experience differences	503,402	0	0	0	
Deferred charges on refunding	1,895	0	0	0	
Total deferred outflows of resources	2,464,565	125,394	0	0	
LIABILITIES					
Current liabilities					
Payables					
Accounts	960,814	486	291,364	141,091	
Intergovernmental	165,509	0	0	0	
Claims and judgements	484,270	0	0	0	
Retainages	66,353	0	0	0	
Interest	30,158	0	0	0	
Accrued liabilities	192,368	0	3,500	4,460	
Payable to primary government	0	0	42,974	115,370	
Compensated absences	0	22,942	0	0	
Unearned revenue	0	0	8,506	6,500	
Capital leases payable	123,660	0	0	0	
Notes payable	9,390	0	29,945	310,399	
Bonds payable	0	0	0	21,824	
Installment sale agreement payable	1,028,657	0	0	0	
Total current liabilities	3,061,179	23,428	376,289	599,644	

FANNIN COUNTY, GEORGIA
STATEMENT OF NET POSITION
December 31, 2017

	Primary Government Governmental Activities		Component Units		
		Fannin County Department of Public Health	Fannin County Development Authority	Fannin County Water Authority	
Noncurrent liabilities					
Compensated absences	\$ 0	\$ 22,941	\$ 0	\$ 0	
Net pension liability	4,010,052	526,070	0	0	
Capital leases payable	201,888	0	0	0	
Notes payable	14,904	0	602,915	0	
Bonds payable	0	0	0	1,835,256	
Installment sale agreement payable	3,234,564	0	0	0	
Total noncurrent liabilities	7,461,408	549,011	602,915	1,835,256	
Total liabilities	10,522,587	572,439	979,204	2,434,900	
DEFERRED INFLOWS OF RESOURCES					
Pension assumption changes	0	23,729	0	0	
Pension experience differences	430,988	1,215	0	0	
Total deferred inflows of resources	430,988	24,944	0	0	
NET POSITION					
Net investment in capital assets	24,965,508	17	210,837	2,448,000	
Restricted for:					
Law library operations	25,718	0	0	0	
Judicial activities	316,001	0	0	0	
Public safety activities	71,067	0	0	0	
Emergency 911 system operations	237,042	0	0	0	
Grant specifications	130,614	0	0	0	
Economic development	105,601	0	0	0	
Prior year program income	0	49,220	0	0	
Capital outlay	5,859,730	0	0	812,883	
Debt service	0	0	0	3,337	
Unrestricted	9,719,033	(195,077)	1,413,460	145,307	
Total net position	\$ 41,430,314	\$ (145,840)	\$ 1,624,297	\$ 3,409,527	

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FANNIN COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General Government	\$ 3,907,455	\$ 13,830	\$ 18,153	\$ 0	\$ (3,875,472)
Judicial	2,185,570	169,980	161,895	0	(1,853,695)
Public Safety	7,932,364	3,474,342	56,009	0	(4,402,013)
Public Works	6,351,337	349,350	11,400	623,460	(5,367,127)
Health and Welfare	488,315	1,990	119,568	183,968	(182,789)
Culture and Recreation	1,368,707	223,193	0	0	(1,145,514)
Housing and Development	1,683,902	0	17,222	0	(1,666,680)
Interest on long-term debt	134,002	0	0	0	(134,002)
Total primary government	24,051,652	4,232,685	384,247	807,428	(18,627,292)
Component Units					
Fannin County Department of Public Health					
Health and Welfare	603,393	321,063	271,734	0	(10,596)
Fannin County Development Authority					
Housing and Development	132,197	103,060	40,000	233,735	244,598
Fannin County Water Authority					
Public Works	484,216	204,207	0	698,693	418,684
Total component units	1,219,806	628,330	311,734	932,428	652,686
		Primary Government Governmental Activities	Component Units Fannin County Department of Public Health	Fannin County Development Authority	Fannin County Water Authority
Change in net position					
Net (expense) revenue	\$ (18,627,292)	\$ (10,596)	\$ 244,598	\$ 418,684	
General revenues					
Taxes					
Property	7,557,138	0	0	0	
Sales	9,004,696	0	0	0	
Excise lodging	1,724,447	0	0	0	
Insurance premium	1,255,865	0	0	0	
Franchise	122,610	0	0	0	
Other	405,662	5	0	0	
Interest and investment earnings	19,173	0	465	1,150	
Gain on sale of assets	7,000	0	0	0	
Other	154,489	85,245	0	0	
Total general revenues	20,251,080	85,250	465	1,150	
Change in net position	1,623,788	74,654	245,063	419,834	
Net position - beginning (original)	39,877,401	(220,494)	1,379,234	2,989,693	
Prior period adjustments	(70,875)	0	0	0	
Net position - beginning (restated)	39,806,526	(220,494)	1,379,234	2,989,693	
Net position - ending	\$ 41,430,314	\$ (145,840)	\$ 1,624,297	\$ 3,409,527	

FANNIN COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	<u>General</u>	<u>Excise Tax Lodging</u>
ASSETS		
Cash and cash equivalents	\$ 9,932,548	\$ 179,837
Certificates of deposit	521,278	0
Receivables (net)		
Accounts	334,678	0
Intergovernmental	55,105	0
Taxes	1,222,042	179,632
Due from other funds	120,514	0
Inventories	9,185	0
Prepaid items	144,770	0
Total assets	<u><u>\$ 12,340,120</u></u>	<u><u>\$ 359,469</u></u>
LIABILITIES		
Payables		
Accounts	\$ 268,451	\$ 249,590
Intergovernmental	0	0
Claims and judgements	484,270	0
Retainage	0	0
Accrued liabilities	192,368	0
Due to other funds	0	108,557
Total liabilities	<u><u>945,089</u></u>	<u><u>358,147</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable ambulance revenues	19,520	0
Unavailable property taxes	350,867	0
Total deferred inflows of resources	<u><u>370,387</u></u>	<u><u>0</u></u>
FUND BALANCES		
Nonspendable:		
Inventories	9,185	0
Prepaid items	144,770	0
Restricted for:		
Law library operations	0	0
Judicial activities	0	0
Public safety activities	0	0
Emergency 911 system operations	0	0
Grant specifications	0	0
Economic development	0	0
Capital outlay	0	0
Assigned to:		
Tourism	0	1,322
Subsequent year's budget	556,505	0
Unassigned	10,314,184	0
Total fund balances	<u><u>11,024,644</u></u>	<u><u>1,322</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 12,340,120</u></u>	<u><u>\$ 359,469</u></u>

SPLOST / Roads	SPLOST / Capital Improvements	2017 SPLOST	Nonmajor Governmental Funds	Totals
\$ 3,873,109	\$ 1,231,069	\$ 863,288	\$ 801,954	\$ 16,881,805
0	0	0	7,544	528,822
0	0	0	49,154	383,832
32,309	0	0	100,926	188,340
0	0	473,012	0	1,874,686
0	0	0	0	120,514
5,532	0	0	0	14,717
0	0	0	0	144,770
<u>\$ 3,910,950</u>	<u>\$ 1,231,069</u>	<u>\$ 1,336,300</u>	<u>\$ 959,578</u>	<u>\$ 20,137,486</u>
\$ 126,757	\$ 257,428	\$ 0	\$ 58,588	\$ 960,814
0	0	165,509	0	165,509
0	0	0	0	484,270
0	66,353	0	0	66,353
0	0	0	0	192,368
16	0	0	11,941	120,514
<u>126,773</u>	<u>323,781</u>	<u>165,509</u>	<u>70,529</u>	<u>1,989,828</u>
0	0	0	0	19,520
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>350,867</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>370,387</u>
5,532	0	0	0	14,717
0	0	0	0	144,770
0	0	0	25,718	25,718
0	0	0	316,001	316,001
0	0	0	71,067	71,067
0	0	0	237,042	237,042
0	0	0	130,614	130,614
0	0	0	105,601	105,601
3,778,645	907,288	1,170,791	3,006	5,859,730
0	0	0	0	1,322
0	0	0	0	556,505
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,314,184</u>
<u>3,784,177</u>	<u>907,288</u>	<u>1,170,791</u>	<u>889,049</u>	<u>17,777,271</u>
<u>\$ 3,910,950</u>	<u>\$ 1,231,069</u>	<u>\$ 1,336,300</u>	<u>\$ 959,578</u>	<u>\$ 20,137,486</u>

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FANNIN COUNTY, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2017

Total fund balance - total governmental funds **\$ 17,777,271**

Amounts reported for governmental activities in the statement of net position are different because:

Some assets are not financial resources and therefore are not reported in the funds.

These are:

Capital assets, net of accumulated depreciation		29,902,352
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Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the funds. These are:

Unavailable ambulance revenues	\$ 19,520		
Unavailable property taxes	350,867		370,387

Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds. These are:

Deferred outflows of resources:

Pension contributions subsequent to measurement date	\$ 784,293		
Pension investment return differences	464,782		
Pension assumption Changes	710,193		
Pension experience differences	503,402		
Deferred charges on refunding	1,895		2,464,565

Deferred inflows of resources:

Pension experience differences	(430,988)
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These are:

Accrued interest	\$ (30,158)		
Net pension liability	(4,010,052)		
Capital leases payable	(325,548)		
Notes payable	(24,294)		
Installment sale agreement payable	(4,263,221)		(8,653,273)

Net position of governmental activities	\$	<u><u>41,430,314</u></u>
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FANNIN COUNTY, GEORGIA
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	<u>General</u>	<u>Excise Tax Lodging</u>
REVENUES		
Taxes	\$ 13,281,529	\$ 1,724,447
Licenses and permits	230,334	0
Fines, fees and forfeitures	440,609	0
Charges for services	1,871,409	0
Intergovernmental	1,594,253	0
Interest	17,437	75
Contributions	18,000	0
Other	148,140	0
Total revenues	<u>17,601,711</u>	<u>1,724,522</u>
EXPENDITURES		
Current		
General Government	4,314,550	0
Judicial	2,001,621	0
Public Safety	7,099,582	0
Public Works	1,543,856	0
Health and Welfare	537,945	0
Culture and Recreation	1,322,048	0
Housing and Development	455,120	1,198,427
Capital outlay	0	0
Debt service	1,254,729	0
Intergovernmental	0	0
Total expenditures	<u>18,529,451</u>	<u>1,198,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(927,740)</u>	<u>526,095</u>
Other financing sources (uses)		
Transfers in	527,854	0
Transfers out	(247,454)	(526,924)
Sale of capital assets	7,000	0
Issuance of capital leases	301,099	0
Total other financing sources (uses)	<u>588,499</u>	<u>(526,924)</u>
Net change in fund balance	<u>(339,241)</u>	<u>(829)</u>
Fund balances, January 1 (original)	11,407,804	2,151
Prior period adjustments	<u>(43,919)</u>	<u>0</u>
Fund balances, January 1 (restated)	<u>11,363,885</u>	<u>2,151</u>
Fund balances, December 31	<u><u>\$ 11,024,644</u></u>	<u><u>\$ 1,322</u></u>

SPLOST / Roads	SPLOST / Capital Improvements	2017 SPLOST	Nonmajor Governmental Funds	Totals
\$ 3,702,756	\$ 0	\$ 1,420,707	\$ 0	\$ 20,129,439
0	0	0	0	230,334
0	0	0	78,388	518,997
0	0	0	399,894	2,271,303
612,369	0	0	205,896	2,412,518
8,092	2,995	4	1,661	30,264
0	0	0	0	18,000
2,732	119	0	3,498	154,489
<u>4,325,949</u>	<u>3,114</u>	<u>1,420,711</u>	<u>689,337</u>	<u>25,765,344</u>
0	0	0	0	4,314,550
0	0	0	115,775	2,117,396
0	0	0	855,525	7,955,107
0	0	0	17,200	1,561,056
0	0	0	59,500	597,445
0	0	0	0	1,322,048
0	0	0	0	1,653,547
2,837,187	919,741	249,920	0	4,006,848
0	0	0	0	1,254,729
899,475	0	0	0	899,475
<u>3,736,662</u>	<u>919,741</u>	<u>249,920</u>	<u>1,048,000</u>	<u>25,682,201</u>
<u>589,287</u>	<u>(916,627)</u>	<u>1,170,791</u>	<u>(358,663)</u>	<u>83,143</u>
0	417,259	0	247,454	1,192,567
(417,259)	0	0	(930)	(1,192,567)
0	0	0	0	7,000
0	0	0	0	301,099
<u>(417,259)</u>	<u>417,259</u>	<u>0</u>	<u>246,524</u>	<u>308,099</u>
<u>172,028</u>	<u>(499,368)</u>	<u>1,170,791</u>	<u>(112,139)</u>	<u>391,242</u>
3,612,149	1,406,656	0	1,028,144	17,456,904
0	0	0	(26,956)	(70,875)
<u>3,612,149</u>	<u>1,406,656</u>	<u>0</u>	<u>1,001,188</u>	<u>17,386,029</u>
<u>\$ 3,784,177</u>	<u>\$ 907,288</u>	<u>\$ 1,170,791</u>	<u>\$ 889,049</u>	<u>\$ 17,777,271</u>

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, 2017

Net change in fund balances - total governmental funds **\$ 391,242**

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.

Capital outlays	\$	2,583,116	
Depreciation		<u>(1,907,492)</u>	675,624

In the statement of activities, the gain/loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.

Cost of assets disposed	\$	(128,683)	
Related accumulated depreciation		<u>102,291</u>	(26,392)

Contributions of capital assets increase net position in the statement of activities but, do not appear in the governmental funds because they are not financial resources. 18,397

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$	816,970	
Cost of benefits earned net of employee contributions		<u>(987,235)</u>	(170,265)

The proceeds of debt issuance, net of premiums, discounts and issuance costs provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In addition, interest on long-term debt is not recognized in the governmental funds until due, but is recognized in the statement of activities as it accrues.

Debt principal payments	\$	1,134,829	
Debt proceeds		(301,099)	
Amortization of deferred charges on refunding		(13,180)	
Net change in interest payable		<u>3,005</u>	823,555

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenue. (88,373)

Change in net position of governmental activities	\$	<u><u>1,623,788</u></u>
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FANNIN COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 13,332,811	\$ 13,280,000	\$ 13,281,529	\$ 1,529
Licenses and permits	223,000	223,000	230,334	7,334
Fines, fees and forfeitures	345,000	440,000	440,609	609
Charges for services	1,954,020	1,954,020	1,871,409	(82,611)
Intergovernmental	1,664,074	1,664,074	1,594,253	(69,821)
Interest	12,000	12,000	17,437	5,437
Contributions	0	18,000	18,000	0
Other	24,180	147,643	148,140	497
Total revenues	17,555,085	17,738,737	17,601,711	(137,026)
EXPENDITURES				
Current				
General Government				
Legislative	748,760	723,000	722,023	977
Elections	213,660	163,000	162,994	6
Tax Commissioner	420,714	370,000	369,739	261
Tax Assessor	1,050,711	805,000	804,582	418
Risk Management	0	1,615,000	1,614,927	73
Building and Grounds	620,166	620,166	618,199	1,967
General Administration	30,000	30,000	22,086	7,914
Judicial				
Superior Court	270,431	216,000	215,240	760
Clerk of Superior Court	575,777	508,000	507,102	898
District Attorney	270,270	285,000	284,881	119
Magistrate Court	272,434	218,000	217,827	173
Probate Court	307,027	307,027	298,127	8,900
Juvenile Court	246,004	223,000	222,522	478
Public Defender	230,000	256,000	255,922	78
Public Safety				
Sheriff	2,254,272	2,426,000	2,425,908	92
Detention Center	1,514,794	1,403,000	1,402,836	164
Drug Task Force	45,000	45,000	37,217	7,783
Probation Center	34,530	34,530	32,086	2,444
Fire	588,599	616,000	615,641	359
Emergency Medical Services	2,338,269	2,203,000	2,202,753	247
Coroner	56,340	56,340	51,148	5,192
E-911	391,238	3,000	2,840	160
Animal Control	235,477	209,000	208,223	777
Emergency Management	134,694	121,000	120,930	70
Public Works				
Roads and Bridges	1,374,494	1,529,000	1,528,161	839
Closure and Post Closure	15,000	16,000	15,695	305
Health and Welfare				
Public Health	61,300	69,000	68,064	936
Welfare	50,558	34,000	33,363	637
Senior Citizen Center	250,364	409,000	408,964	36
Other Direct Assistance	27,554	27,554	27,554	0
Culture and Recreation				
Recreation	839,846	997,000	996,004	996
Arts	136,375	107,000	106,094	906
Regional Library	219,950	219,950	219,950	0

FANNIN COUNTY, GEORGIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2017

	Budget			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES (continued)				
Current				
Housing and Development				
County Extension	\$ 30,918	\$ 30,918	\$ 26,834	\$ 4,084
Natural Resources and Conservation	9,000	12,000	11,166	834
Land Development	289,444	246,000	245,920	80
Development Authority	257,190	172,000	171,200	800
Debt service				
Principal	1,253,727	1,135,000	1,134,829	171
Interest and Other Charges	143,447	120,000	119,900	100
Total expenditures	17,808,334	18,580,485	18,529,451	51,034
Excess (deficiency) of revenues over (under) expenditures	(253,249)	(841,748)	(927,740)	85,992
Other financing sources (uses)				
Transfers in	0	527,854	527,854	0
Transfers out	0	(247,454)	(247,454)	0
Sale of capital assets	0	7,000	7,000	0
Issuance of capital leases	0	301,099	301,099	0
Total other financing sources (uses)	0	588,499	588,499	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(253,249)	(253,249)	(339,241)	(85,992)
Fund balances, January 1 (original)	0	0	11,407,804	11,407,804
Prior period adjustments	0	0	(43,919)	43,919
Fund balances, January 1 (restated)	253,249	253,249	11,363,885	11,110,636
Fund balances, December 31	\$ 0	\$ 0	\$ 11,024,644	\$ 11,024,644

FANNIN COUNTY, GEORGIA
EXCISE TAX LODGING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the year ended December 31, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,525,000	\$ 1,725,000	\$ 1,724,447	\$ (553)
Interest	0	0	75	75
Total revenues	<u>1,525,000</u>	<u>1,725,000</u>	<u>1,724,522</u>	<u>(478)</u>
EXPENDITURES				
Current				
Housing and Development				
Tourism				
Contract services	1,000,000	1,200,000	1,196,923	3,077
Materials and supplies	0	0	1,504	(1,504)
Total expenditures	<u>1,000,000</u>	<u>1,200,000</u>	<u>1,198,427</u>	<u>1,573</u>
Excess (deficiency) of revenues over expenditures	525,000	525,000	526,095	1,095
Other financing sources (uses)				
Contingency	(525,000)	(525,000)	(526,924)	(1,924)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	(829)	(829)
Fund balances, January 1	0	0	2,151	2,151
Fund balances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,322</u>	<u>\$ 1,322</u>

FANNIN COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
December 31, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 6,084,159
Taxes receivable, net	<u>2,337,355</u>
Total assets	<u><u>\$ 8,421,514</u></u>
LIABILITIES	
Due to others	<u>\$ 8,421,514</u>
Total liabilities	<u><u>\$ 8,421,514</u></u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

1. Description of Government Unit

Fannin County operates under a County Commission form of government and is governed by a chairman and two post commissioners, elected at large. The County provides the following services: public safety, judicial, public works, health and welfare, culture and recreation, housing and development, and general administrative services.

2. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. The primary government includes governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Fannin County (the primary government) and material component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational and financial relationship with the County.

In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61, the financial statements of component units have been included either as blended or discretely presented component units.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

Blended Component Units – Blended component units, although legally separate entities, are, in substance, part of the Government's operations.

Fannin County Building Authority – The Building Authority is governed by a board appointed by the County Commissioners who have the ability to impose their will on the Building Authority. Although it is legally separate from the County, the Building Authority is reported as if it is a part of the primary government, as a blended component unit, because its primary purpose is to acquire, construct, and maintain capital projects for use by the County. Separate financial statements for the Building Authority are not prepared. Financial information related to the Fannin County Building Authority may be obtained from the Office of the County Clerk of Fannin County, Georgia.

Discretely Presented Component Units – Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the government.

Fannin County Department of Public Health – The Health Department is governed by a seven member board comprised of a Fannin County Commission representative, the Fannin County school superintendent, a licensed physician practicing in Fannin County, a City of Blue Ridge Council representative, two members appointed by the Fannin County Commission, and one member appointed by the City of Blue Ridge Council. The Health Department is reported as a component unit of the County because it is fiscally accountable. 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, 2017. 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.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

B. Reporting Entity, continued

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 are appointed by the County and the County has a significant financial relationship with the Development Authority. Separate financial statements for the Development Authority are not prepared. Financial information for the Fannin County Development Authority may be obtained from the Office of the County Clerk of Fannin County, Georgia.

Fannin County Water Authority – The Water Authority acquires, constructs, equips, maintains, and operates adequate water supply, treatment, and distribution facilities and sewerage collection, treatment, and distribution facilities, making such facilities and services available to public and private consumers and users located in the County. The Water Authority receives SPLOST allocated for water purposes from the County. All seven board members are appointed by the County and the County has a significant financial relationship with the Water Authority. The presentation of the Water Authority's financial information was taken from its audited financial report as of June 30, 2017. Separate financial statements for the Water Authority may be obtained from their administrative offices at 400 West Main Street, Suite 101 B, Blue Ridge, Georgia 30513.

Fannin County Parks and Recreation Commission – The Parks and Recreation Commission operates with a seven member advisory board. All members are appointed by the County. The County is responsible for the management and maintenance of parks and recreation facilities for the benefit of Fannin County citizens. Prior to 2013, the Parks and Recreation Commission held this responsibility.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has three discretely presented component units. While they are not considered to be major component units, they are shown in separate columns in the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund - The general operating fund of the County is used to account for all financial resources except those required to be accounted for in another fund.

Excise tax Lodging Fund – This fund is used to account for collection of special sales tax to be used for tourism promotion within the County.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

Special Purpose Local Option Sales Tax / Roads Fund – This fund is used to account for the financial resources provided from the Special Purpose Local Option Sales Tax in which such resources are to be used for the maintenance and construction of roads, streets, and bridges or other legally authorized purposes.

Special Purpose Local Option Sales Tax / Capital Improvements Fund – This fund is used to account for the financial resources provided from the Special Purpose Local Option Sales Tax in which such resources are to be used for capital improvements and purchase of capital assets.

2017 Special Purpose Local Option Sales Tax Fund – This fund is used to account for the financial resources provided from the Special Purpose Local Option Sales Tax in which such resources are to be used for capital improvements and purchase of capital assets.

Additionally, the County reports the following fund types:

Governmental Fund Types

Special Revenue Funds – accounts for the proceeds of specific revenue sources that are legally or donor restricted to be expended for specified purposes.

Capital Projects Funds – accounts for financial resources to be used for the acquisition or construction of specifically planned projects (other than those financed by proprietary funds).

Fiduciary Fund Types

Agency Funds - Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that are held either for the County or for others.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements, continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

G. Budgetary Information

Applicable statutes of the State of Georgia require the County to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated revenues and appropriated fund balance is equal to appropriations. The County follows these procedures in establishing the budgetary data reflected in the financial statements:

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

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level. The Chairman of the Board of Commissioners is authorized to transfer amounts between accounts within any department. All supplemental appropriations or transfers of appropriations between departments must be approved by the Board of Commissioners.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

G. Budgetary Information, continued

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

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

H. Cash and Investments

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

State of Georgia statutes require all financial institution deposits and investments in excess of federal depository insured amounts to be fully collateralized by an equivalent amount of state or U.S. obligations. State of Georgia statutes authorize the County to invest in U.S. Government obligations; obligations fully insured or guaranteed by the U. S. Government or by a government agency of the United States; obligations of any Corporation of the U. S. Government; State of Georgia obligations and other States; obligations of other counties, municipal corporations and political subdivisions of the State of Georgia; repurchase agreements when collateralized by U.S. Government or agency obligations; prime banker's acceptances; certificates of deposit or time deposit of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

H. Cash and Investments, continued

Money market investments and those investments which had a remaining maturity at the time of purchase of one year or less are recorded at amortized cost or cost plus accrued interest, which approximates fair value. The fair value of all other investments are calculated using quoted market prices because these prices have been determined to be the most reliable and verifiable and are the most understood by investors, creditors and other users of financial information.

All investment income including changes in the fair value of investments has been reported as revenue in the operating statements.

I. Intergovernmental Receivables

Receivables from state, federal, and local governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

J. Inventories

Inventories for the governmental funds are valued at cost on the first-in, first-out method and recorded as expenditures when consumed.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items. The costs of governmental fund-type prepaid items are recorded as expenditures when consumed rather than when purchased.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

L. Capital Assets

Capital assets of governmental activities, which include land, buildings and improvements, machinery and equipment, and infrastructure (such as roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets, not including infrastructure, are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired prior to July 1, 2001, consist of road network assets that were acquired or that received substantial improvements subsequent to January 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The capitalization threshold for infrastructure is \$50,000. Donated capital assets are recorded at their acquisition value.

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

Land and construction in progress are not depreciated. Other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	Useful Life in Years
Land	N/A
Construction in progress	N/A
Infrastructure	30
Buildings and improvements	20-50
Machinery and equipment	2-15

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports deferred outflows of resources for a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The County also reports deferred outflows of resources related to their defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenues from two sources: property taxes and ambulance billings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources related to their defined benefit pension plan.

N. Compensated Absences

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

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

O. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

P. Fund Balance Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q. Restricted Assets and Restricted Net Position

Restricted assets represent certain resources restricted by funding source or required to be set aside for the repayment of debt. They are maintained in a separate bank account and their use is limited.

Restricted net position is equal to the excess of the restricted assets funded from operations over the liabilities to be paid with restricted assets which are due in one year or less. Restricted assets exclude bond proceeds for calculation of restricted net position.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

R. Fund Balances – Governmental Funds

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

Fund Balance – Generally, fund balance represents the difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2017 by the County are nonspendable in form. The County has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Commissioners, the County’s highest level of decision making authority, which include the language “committed for the purpose of”. Commitments may be modified or rescinded only through adoption of a subsequent resolution, which shall refer to the original resolution by its number.

Assigned – includes amounts that are intended to be used by the County for a specific purpose, but do not meet the definition of restricted or committed fund balance. Intent can only be expressed by the Board of Commissioners or their designee. Assigned Fund Balance differs from Committed Fund Balance in that assignments do not require a resolution.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

R. Fund Balances – Governmental Funds, continued

Unassigned – includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In addition, any remaining deficits in the County's governmental funds which remain after all other fund balances have been exhausted are classified as unassigned.

S. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in reporting, which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the County has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Restated Pension Plan for Fannin County employees (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

U. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities under governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Prepaid bond insurance is amortized over the term of the debt. Issuance costs are recognized during the current period.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt issued is reported as any other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

V. Capital Contributions

Federal, state and local government assistance in the form of grants that are permanent in nature and restricted for the construction or acquisition of specific property and equipment is recorded as an asset and as program revenue.

W. Management Estimates

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

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

3. Deposit and Investment Risk

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned. The County has no formal policy, but follows the State of Georgia requirement that all deposits be federally insured or fully collateralized.

Investments consist of certificates of deposit placed with FDIC insured financial institutions.

Interest Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State of Georgia law limits investments to include certificates of deposit, prime bankers' acceptances, repurchase agreements, direct and agency obligations of the United States, obligations of any corporation of the United States government, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The County has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The County has no formal policy on the amount the County may invest in any one issuer.

Foreign Currency Risk

The County has no investments denominated in a foreign currency.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

4. Accounts Receivable

Net accounts receivable at December 31, 2017 consist of the following:

Primary Government:

Major Funds

General Fund	\$ 598,252	
Less: Allowance for Uncollectible Accounts	<u>(263,574)</u>	\$ 334,678

Nonmajor Funds

Special Revenue Funds	
Emergency 911	<u>49,154</u>

Total primary government	<u><u>\$ 383,832</u></u>
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Component Units

Fannin County Department of Public Health	<u><u>\$ 37,884</u></u>
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Fannin County Water Authority	\$ 19,176	
Less: Allowance for Uncollectible Accounts	<u>(800)</u>	<u><u>\$ 18,376</u></u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

5. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2017 consist of the following:

Primary Government:

Major Funds

General Fund

Tennessee Valley Authority	\$ 4,424	
Appalachian Judicial Circuit	1,306	
Fannin County Department of Public Health	387	
Fannin County Water Authority	12,411	
Fannin County Board of Education	11,823	
Gilmer County, Georgia	17,701	
City of Blue Ridge, Georgia	5,374	
City of McCaysville, Georgia	20	
Other	<u>1,659</u>	\$ 55,105

SPLOST / Roads Capital Projects Fund

Georgia Department of Transportation	32,309
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Nonmajor Funds

Multiple Grant Special Revenue Fund

Georgia Department of Natural Resources	\$ 17,200	
Georgia Department of Human Services	24,250	
Criminal Justice Coordinating Council	2,595	
Georgia Emergency Management Agency	<u>12,536</u>	56,581

Crime Victims Assistance Special Revenue Fund

City of Blue Ridge, Georgia	523
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Drug Special Revenue Fund

City of Blue Ridge, Georgia	737
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Jail Special Revenue Fund

City of McCaysville, Georgia	111
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Revolving Loan Special Revenue Fund

Fannin County Development Authority	<u>42,974</u>
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Total Primary Government	<u><u>\$ 188,340</u></u>
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Component Units

Fannin County Department of Public Health

Fannin County, Georgia	<u><u>\$ 1,027</u></u>
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Fannin County Development Authority

Georgia Cities Foundation	\$ 291,364	
Tennessee Valley Authority	<u>7,482</u>	<u><u>\$ 298,846</u></u>

Fannin County Water Authority

Fannin County, Georgia	<u><u>\$ 85,923</u></u>
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FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

6. Property Taxes

Property tax rates are set by the County Board of Commissioners each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1st each year. Property taxes for digest year 2017, based upon the assessments as of January 1, 2017, were levied on September 14, 2017, billed on October 10, 2017, and due on December 20, 2017. Tax liens may be issued within three years after the due date.

Taxes receivable as of December 31, 2017, consist of property taxes for seven years as follows:

<u>Year of Levy</u>	
2017	\$ 680,296
2016	85,650
2015	37,896
2014	25,171
2013	10,227
2012	6,971
2011	8,007
	<u>854,218</u>
Less allowance for uncollectible	<u>(142,799)</u>
Total	<u><u>\$ 711,419</u></u>

\$831,330 of sales taxes, \$179,632 of hotel/motel lodging taxes and \$152,305 of other taxes are also included in taxes receivable.

7. Interfund Receivables and Payables

A summary of interfund receivables and payables as of December 31, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Excise Tax Lodging	\$ 108,557
	SPLOST / Roads	16
	Nonmajor Governmental	<u>11,941</u>
		<u><u>\$ 120,514</u></u>

The balances reported as Due from/Due to other funds resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

8. Interfund Transfers

A summary of interfund transfers for the year ended December 31, 2017 is as follows:

<u>Transfer In Fund</u>	<u>Transfer Out Fund</u>	<u>Amount</u>
General	Excise Tax Lodging	\$ 526,924
	Nonmajor Governmental	930
SPLOST / Capital Improvements	SPLOST / Roads	417,259
Nonmajor Governmental	General	247,454
		<u>\$ 1,192,567</u>

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them and 2) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2017 was as follows:

	<u>Balance 12/31/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2017</u>
Governmental activities				
Non-depreciable assets				
Land	\$ 2,253,633	\$ 0	\$ 0	\$ 2,253,633
Construction in progress	266,250	961,707	(32,821)	1,195,136
Total non-depreciable assets	<u>2,519,883</u>	<u>961,707</u>	<u>(32,821)</u>	<u>3,448,769</u>
Depreciable assets				
Infrastructure	26,684,772	0	0	26,684,772
Buildings and improvements	19,720,081	207,384	0	19,927,465
Machinery and equipment	12,383,400	1,465,243	(128,683)	13,719,960
Total depreciable assets	<u>58,788,253</u>	<u>1,672,627</u>	<u>(128,683)</u>	<u>60,332,197</u>
Less accumulated depreciation				
Infrastructure	(15,989,615)	(926,428)	0	(16,916,043)
Buildings and improvements	(5,707,133)	(440,407)	0	(6,147,540)
Machinery and equipment	(10,376,665)	(540,657)	102,291	(10,815,031)
Total accumulated depreciation	<u>(32,073,413)</u>	<u>(1,907,492)</u>	<u>102,291</u>	<u>(33,878,614)</u>
Total depreciable assets, net	<u>26,714,840</u>	<u>(234,865)</u>	<u>(26,392)</u>	<u>26,453,583</u>
Governmental activities capital assets, net	<u>\$ 29,234,723</u>	<u>\$ 726,842</u>	<u>\$ (59,213)</u>	<u>\$ 29,902,352</u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

9. Capital Assets (continued)

Capital asset activity for the discretely presented component units for the respective year ends was as follows:

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
Fannin County Department of Public Health				
Depreciable assets				
Computer equipment	\$ 5,391	\$ 0	\$ 0	\$ 5,391
Office equipment	8,791	0	0	8,791
Leasehold improvements	6,580	0	0	6,580
Total depreciable assets	20,762	0	0	20,762
Less accumulated depreciation				
Computer equipment	(4,343)	(1,048)	0	(5,391)
Office equipment	(8,791)	0	0	(8,791)
Leasehold improvements	(6,563)	0	0	(6,563)
Total accumulated depreciation	(19,697)	(1,048)	0	(20,745)
Total depreciable assets, net	1,065	(1,048)	0	17
Fannin County Department of Public Health capital assets, net	\$ 1,065	\$ (1,048)	\$ 0	\$ 17

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Fannin County Development Authority				
Non-depreciable assets				
Land	\$ 579,612	\$ 0	\$ (437,241)	\$ 142,371
Construction in progress	409,336	352,443	(761,779)	0
Total non-depreciable assets	988,948	352,443	(1,199,020)	142,371
Depreciable assets				
Land improvements	5,000	0	0	5,000
Buildings and improvements	1,190,228	0	0	1,190,228
Equipment	11,191	0	0	11,191
Total depreciable assets	1,206,419	0	0	1,206,419
Less accumulated depreciation				
Land improvements	(5,000)	0	0	(5,000)
Buildings and improvements	(418,437)	(78,017)	0	(496,454)
Equipment	(1,728)	(1,911)	0	(3,639)
Total accumulated depreciation	(425,165)	(79,928)	0	(505,093)
Total depreciable assets, net	781,254	(79,928)	0	701,326
Fannin County Development Authority capital assets, net	\$ 1,770,202	\$ 272,515	\$ (1,199,020)	\$ 843,697

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

9. Capital Assets (continued)

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
Fannin County Water Authority				
Non-depreciable assets				
Construction in progress	\$ 169,425	\$ 595,766	\$ (761,651)	\$ 3,540
Land and land rights	52,280	23,237	0	75,517
Total non-depreciable assets	221,705	619,003	(761,651)	79,057
Depreciable assets				
Land improvements	83,822	0	0	83,822
Wells and tanks	413,742	0	0	413,742
Water systems	3,398,047	761,651	0	4,159,698
Buildings and improvements	37,041	0	0	37,041
Machinery and equipment	376,496	0	0	376,496
Total depreciable assets	4,309,148	761,651	0	5,070,799
Less accumulated depreciation				
Land improvements	(5,588)	(4,191)	0	(9,779)
Wells and tanks	(15,241)	(11,431)	0	(26,672)
Water systems	(126,273)	(88,317)	0	(214,590)
Buildings and improvements	(1,568)	(1,852)	0	(3,420)
Machinery and equipment	(54,146)	(38,300)	0	(92,446)
Total accumulated depreciation	(202,816)	(144,091)	0	(346,907)
Total depreciable assets, net	4,106,332	617,560	0	4,723,892
Fannin County Water Authority capital assets, net	<u>\$ 4,328,037</u>	<u>\$ 1,236,563</u>	<u>\$ (761,651)</u>	<u>\$ 4,802,949</u>

Depreciation expense was charged to functions/programs as follows:

Primary Government

Governmental activities

General Government	\$ 226,299
Judicial	375
Public Safety	429,897
Public Works	1,078,536
Health and Welfare	63,820
Culture and Recreation	105,811
Housing and Development	2,754
Total depreciation expense for governmental activities	<u>\$ 1,907,492</u>

Component units

Fannin County Department of Public Health	\$ 1,048
Fannin County Development Authority	79,928
Fannin County Water Authority	144,091
Total depreciation expense for component units	<u>\$ 225,067</u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

10. Capital Lease Agreements

Governmental Activities

The County has entered into lease agreements to finance the acquisition of certain public safety vehicles. The terms of the agreements meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The leases bear interest at rates varying from 1.99% to 2.79% and require annual payments through 2020. The principal balance of the leases at December 31, 2017 is \$325,548 for governmental activities. As of December 31, 2017, the County had \$650,645 of vehicles (reported as machinery and equipment), with associated accumulated depreciation of \$325,090 financed under the capital leases. Depreciation expense for 2017 on the leased assets totaled \$66,405.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2017:

Year Ending December,	Governmental Activities
2018	\$ 131,196
2019	105,729
2020	102,797
	<u>339,722</u>
Less amounts representing interest	<u>(14,174)</u>
Present value of minimum lease payments	<u><u>\$ 325,548</u></u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

11. Long-Term Debt

Governmental Activities

Installment Sale Agreement

During December 2011, the County entered into an Installment Sale Agreement with the Association of County Commissioners of Georgia (the "ACCG") for the purpose of refunding outstanding certificates of participation and revenue bonds issued in 2001 in conjunction with the construction of a new courthouse and jail facilities and the purchase of land for a County park. The substance of the agreement provided for the sale and simultaneous repurchase of the County's courthouse and jail facilities for a cost of \$9,325,250, an amount sufficient to refund the outstanding certificates and bonds, and to fund other costs of the transaction. The ACCG has assigned this Installment Sale Agreement to Bank of America.

The reacquisition price of the refunded certificates and bonds included a call premium payment in the amount of \$81,700. This call premium (deferred charges on refunding) is reported as a deferred outflow of resources in the accompanying statement of net position and is being amortized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt, which is through 2021. Current year amortization of the call premium was \$13,180.

The installment sale agreement bears interest at a rate of 2.39% and matures in 2021. The County's debt service requirements to maturity on the installment sale agreement are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 1,028,657	\$ 95,745	\$ 1,124,402
2019	1,050,470	71,030	1,121,500
2020	1,074,973	45,777	1,120,750
2021	1,109,121	13,253	1,122,374
Totals	<u>\$ 4,263,221</u>	<u>\$ 225,805</u>	<u>\$ 4,489,026</u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

11. Long-Term Debt (continued)

Governmental Activities, continued

Notes Payable

During October 2015, the County entered into a note payable agreement in the original amount \$47,018 with a local financial institution for the purchase of a public safety vehicle. The note bears interest at a rate of 3.25%, requires annual payments of \$10,354, and matures in 2020.

The County's debt service requirements to maturity on the note are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 9,390	\$ 963	\$ 10,353
2019	9,700	654	10,354
2020	5,204	265	5,469
Totals	<u>\$ 24,294</u>	<u>\$ 1,882</u>	<u>\$ 26,176</u>

Fannin County Development Authority Component Unit

Notes Payable

During 2011, the Fannin County Development Authority entered into a \$500,000 note payable agreement with the OneGeorgia Authority for the purpose of renovating a building purchased by the Authority in 2010. The agreement was awarded in two parts. Part One of the award was in the amount of \$352,658 and at December 31, 2012, was fully drawn. This portion of the note becomes due and begins amortization on the earlier of five years from the last drawdown on the note or at the time the building becomes 70% leased. During 2012, the Authority completed and leased an additional portion of the building, which activated the amortization of \$221,283 of Part One. The agreement provides for repayment of Part One over a 20 year term at 0% interest.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

11. Long-Term Debt (continued)

Fannin County Development Authority Component Unit, continued

Notes Payable (continued)

Part Two of the award was for \$147,362 and is considered an intergovernmental contract with OneGeorgia Authority. Part Two became due and payable during December 2011. The schedule below reflects the amortization of Part Two of the loan over a term of 20 years at 3.0% interest. This portion of the loan was also used for the renovation of space in the building, which was completed and leased during 2011.

During 2016, the Fannin County Development Authority entered into a \$229,500 note payable agreement with the OneGeorgia Authority for the purpose of renovating a building purchased by the Authority. The Development Authority has drawn down all funds on this agreement as of December 31, 2017. The agreement is scheduled to be repaid over a period of 20 years beginning July 1, 2018, quarterly payments of \$2,869, interest at 0%.

The Authority's debt service requirements to maturity for notes payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 29,945	\$ 3,305	\$ 33,250
2019	35,882	3,105	38,987
2020	36,087	2,900	38,987
2021	36,299	2,688	38,987
2022	36,517	2,470	38,987
2023-2027	186,098	8,836	194,934
2028-2032	182,645	2,410	185,055
2033-2037	83,650	0	83,650
2038	5,737	0	5,737
Totals	\$ 632,860	\$ 25,714	\$ 658,574

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

11. Long-Term Debt (continued)

Fannin County Water Authority Component Unit

Notes Payable

During 2016, the Fannin County Water Authority entered into a note agreement with Georgia Environmental Finance Authority (GEFA) to borrow up to \$905,000 to fund acquiring, constructing, equipping and installing water systems to service areas in Fannin County known as River Walk. As of June 30, 2017, the note payable had a balance of \$310,399. The Authority received its final draw down in the September 2017, bringing the total note amount to \$403,535. The Authority is scheduled to begin paying back the note payable beginning October 1, 2017 on a 20 year monthly payment schedule, monthly payments of \$2,047, interest at 2.03%.

Revenue Bonds Payable

On June 20, 2014, the Authority entered into an agreement with Rural Development, United States Department of Agriculture (USDA) to borrow an amount, not to exceed \$1,862,000. Borrowings under the agreement, evidence by a Revenue Bond, Series A, were for the purpose of acquiring, constructing, equipping and installing a water system to service the area known as My Mountain in Fannin County, Georgia. The Revenue Bond, Series A, which bears interest at an annual rate of 3.25%, required annual payments of interest only for the first three years through June 2017. Thereafter, monthly payments of principal and interest in the amount of \$7,225 are due beginning in July 2017 and continuing through June 2054.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

11. Long-Term Debt (continued)

Changes in Long - Term Debt

The following is a summary of changes in long-term debt of the County and discretely presented component units for the respective year ends:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017	Due Within One Year
Governmental activities					
Installment sale agreement	\$ 5,267,925	\$ 0	\$ 1,004,704	\$ 4,263,221	\$ 1,028,657
Notes payable	38,315	0	14,021	24,294	9,390
Capital leases payable	140,553	301,099	116,104	325,548	123,660
Totals	<u>\$ 5,446,793</u>	<u>\$ 301,099</u>	<u>\$ 1,134,829</u>	<u>\$ 4,613,063</u>	<u>\$ 1,161,707</u>
	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017	Due Within One Year
Fannin County Department of Public Health					
Compensated absences	<u>\$ 40,893</u>	<u>\$ 25,437</u>	<u>\$ 20,447</u>	<u>\$ 45,883</u>	<u>\$ 22,942</u>
	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017	Due Within One Year
Fannin County Development Authority					
Notes payable	<u>\$ 427,375</u>	<u>\$ 229,500</u>	<u>\$ 24,015</u>	<u>\$ 632,860</u>	<u>\$ 29,945</u>
	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017	Due Within One Year
Fannin County Water Authority					
Payable to Primary Government	\$ 243,519	\$ 147,099	\$ 275,248	\$ 115,370	\$ 115,370
Notes payable	0	310,399	0	310,399	310,399
Revenue Bond - Series A	1,862,000	0	4,920	1,857,080	21,824
Totals	<u>\$ 2,105,519</u>	<u>\$ 457,498</u>	<u>\$ 280,168</u>	<u>\$ 2,282,849</u>	<u>\$ 447,593</u>

The total interest incurred and charged to expense for the year ended December 31, 2017 was \$134,002 for governmental activities, \$3,509 for the Fannin County Development Authority Component Unit, and \$55,595 for the Fannin County Water Authority Component Unit.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

12. Landfill Post-Closure Care Costs

State and Federal regulations required the County to close its solid waste landfill once its capacity was reached December 31, 1996, and to monitor and maintain the site after closure. The County elected an early closure date of April 10, 1994 when capacity was at eighty percent. During 1994, engineering studies estimated post closure costs of approximately \$66,121 to complete the closure of its landfill. These costs were based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of the expected date of closure. Amounts were expensed as closure of the landfill was completed. On February 1, 2000, the County received its closure certificate; therefore, no significant future expenditures are expected. At December 31, 2017, no liability remains for post closure care costs.

13. Net Investment in Capital Assets

The net investment in capital assets reported on the government-wide statement of net position is calculated as follows for the year ended December 31, 2017:

	Governmental Activities
Cost of capital assets	\$ 63,780,966
Accumulated depreciation	<u>(33,878,614)</u>
Book value	29,902,352
Capital-related accounts payable	(257,428)
Retainages payable	(66,353)
Capital leases payable	(325,548)
Notes payable	(24,294)
Installment sale agreement payable	<u>(4,263,221)</u>
Net investment in capital assets	<u><u>\$ 24,965,508</u></u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans

Defined Benefit Pension Plan

Plan Description. The County sponsors the Association of the County Commissioners of Georgia Restated Pension Plan for Fannin County Employees (The Plan), a defined benefit pension plan, an agent multiple-employer public employee retirement system. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Government Employees Benefits Corporation of Georgia, 400 Galleria Parkway, Suite 1250, Atlanta, Georgia 30339. The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. The Plan, through execution of an adoption agreement, is affiliated with the Association County Commissioners of Georgia Third Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by the Government Employee's Benefit Corporation (GEBCorp). The ACCG, in its role as Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 17.01 of the ACCG Plan document. The County has the authority by resolution to amend the adoption agreement, which defines the specific benefit provisions of the Plan, as provided in section 17.02 of the ACCG Plan document.

All full-time County employees meeting the provisions as set out in the adoption agreement are eligible to participate in the Plan after completing three years of service. Benefits vested at 100% after five years of service. Participants become eligible to retire at the earlier of: a) age 65 or b) the anniversary date of the required years of service under which the Plan specifies.

Current membership is as follows:

Retirees, beneficiaries, and disablees	
currently receiving benefits	62
Terminated participants entitled to but	
not yet receiving benefits	76
Active employees participating in the plan	<u>167</u>
Total number of participants	<u><u>305</u></u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

Benefits Provided. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.0% of average annual compensation up to \$10,000 plus 1.5% of average annual compensation in excess of \$10,000 plus \$50 multiplied by years of service. Compensation is averaged over a five year period prior to retirement or termination. The Plan also provides benefits in the event of death before retirement and early retirement subject to certain early retirement reduction factors.

Contributions. County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report. The County's actuarially determined contribution rate for the fiscal year ended December 31, 2017 was \$816,970, or 13.44% of covered payroll. The County Board of Commissioners provides for the benefits and funding policy through County ordinance and maintains the authority to change the policy. The administrative expenses set by contract between the ACCG and GEBCorp are in addition to the state-required annual funding requirement.

The Georgia Constitution enables the governing authority of the County, the County Board of Commissioners, to establish, and amend from time-to-time contribution rates for the County and its Plan participants.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the County reported a net pension liability of \$4,010,052. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. For the fiscal year ended December 31, 2017, the County recognized pension expense of \$954,558. For governmental activities, the net pension liability is liquidated by the General Fund.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

The components of the net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2015	\$ 12,281,331	\$ 9,232,307	\$ 3,049,024
Changes for the year:			
Service cost	324,246	0	324,246
Interest	904,345	0	904,345
Liability experience (gain) / loss	591,718	0	591,718
Assumption change	458,590	0	458,590
Employer contributions	0	816,970	(816,970)
Net investment income	0	670,044	(670,044)
Benefit payments	(446,789)	(446,789)	0
Administrative expense	0	(34,924)	34,924
Other changes	0	(134,219)	134,219
Net changes	<u>1,832,110</u>	<u>871,082</u>	<u>961,028</u>
Balances at December 31, 2016	\$ 14,113,441	\$ 10,103,389	\$ 4,010,052

Plan fiduciary net position as a percentage of the total pension liability	71.59%
Covered payroll	\$ 5,950,065
Net pension liability as a percentage of covered payroll	67.40%

At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 784,293	\$ 0
Net difference between projected and actual earnings on pension plan investments	464,782	0
Changes of assumptions	710,193	0
Differences between expected and actual experience	<u>503,402</u>	<u>(430,988)</u>
	<u>\$ 2,462,670</u>	<u>\$ (430,988)</u>

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

The \$784,293 of deferred outflows of resources resulting from the County's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31	
2018	\$ 284,974
2019	284,974
2020	272,320
2021	141,325
2022	154,059
2023	<u>109,737</u>
Totals	<u><u>\$ 1,247,389</u></u>

Actuarial Assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Future salary increases	5.00% per year with an age-based scale
Cost of living adjustments	N/A
Net investment rate of return	7.25%

Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table. Disabled rates were derived from a 1977 Social Security Administration study.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Benchmark	Asset Allocation	Average 20 Year Return	Weighted 20 Year Return	Average 30 Year Return	Weighted 30 Year Return
S&P 500	30%	7.91%	2.37%	10.22%	3.07%
Barlay's Agg.	30%	5.60%	1.68%	6.56%	1.97%
MSCI EAFE	15%	4.29%	0.64%	5.73%	0.86%
Citi Non US WEBI	5%	4.66%	0.23%	5.98%	0.30%
NAREIT Equity	5%	10.79%	0.54%	10.44%	0.52%
Russell 2000	5%	8.06%	0.40%	9.33%	0.47%
Russell 3000	5%	8.03%	0.40%	10.14%	0.51%
S&P Mid Cap	5%	11.22%	0.56%	11.53%	0.58%
Weighted Return			<u>6.82%</u>		<u>8.28%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The discount rate is determined through a blend of using a building blocks approach based on 20-year benchmarks (33.33%) and 30-year benchmarks (33.33%), as well as the forward-looking capital market assumptions for a moderate asset allocation (33.34%), as determined by UBS. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans (continued)

Defined Benefit Pension Plan, continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25 percent) or one percentage-point higher (8.25 percent) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	6.25%	\$ 6,072,142
Current discount rate	7.25%	4,010,052
1% increase	8.25%	2,295,260

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Association County Commissioners of Georgia GEBCorp financial report.

Deferred Compensation Plan

The County maintains two (2) deferred compensation plans, which were created in accordance with Internal Revenue Code, Section 457. The plans are administered by independent plan administrators through an administrative agreement. The two administrators are Nationwide Retirement Solutions and GEBCorp. The County does not contribute funds to any of the plans. Member employees may elect to defer a portion of their salary until future years. Such deferred compensation is not available to the employees until termination, retirement, death, or financial hardship. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts are solely the property and rights of the participants in the plans. During the year ended December 31, 2017, employees contributed \$57,306 to the plans.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

14. Retirement Plans (continued)

Other Plans

In addition to the plan above, various County employees are covered under the following plans: Georgia Firefighters' Pension Fund, Georgia State Employees' Retirement System (ERS), Magistrates' Retirement Fund of Georgia, Peace Officers' Annuity and Benefit Fund of Georgia, Probate Judges' Retirement Fund of Georgia, Sheriffs' Retirement Fund of Georgia, and Superior Court Clerks' Retirement Fund of Georgia. Further information regarding these plans can be obtained from the plans' annual reports. These plans are immaterial to the financial statements.

Fannin County Department of Public Health Retirement Plan

Eligible employees of the Fannin County Department of Public Health participate in the Georgia State Employees' Retirement System (ERS), a statewide multiple-employer public employee retirement system. During the fiscal year ended June 30, 2017, the Department contributed \$67,451. As of June 30, 2017, the Department reported a liability in the amount of \$526,070 for its proportionate share (0.011121%) of the net pension liability. The Department recognized pension expense of (\$40,155) for the fiscal year ended June 30, 2017. Further information regarding the plan can be obtained from Department's annual audit report by contacting Fannin County Department of Public Health, 95 Ouida Street, Blue Ridge, Georgia 30513.

15. Hotel/Motel Lodging Tax

The County has levied a 5% lodging tax in accordance with OCGA 48-13-51. A summary of the transactions for the year ended December 31, 2017 follows:

Lodging tax receipts	\$ 1,724,447
Disbursements for trade and tourism	\$ 1,196,923 69.4% of tax receipts

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

16. Joint Ventures

Under Georgia law, the County, in conjunction with other counties and cities in the area, is a member of the Northwest Georgia Regional Commission (RC) and is required to pay annual dues thereto. During the year ended December 31, 2017, the County paid \$22,086 in such dues. Membership in the RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official in 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 RC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, One Jackson Hill Drive, Rome, Georgia 30162.

17. 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. During 2017 and subsequent to year end, the County has discussed with the TVA a possible restructure of the license agreement under which the County would be able to use the property as a park for County residents.

18. Risk Management

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

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

18. Risk Management (continued)

Medical Self-Insurance

The County provides health coverage for its employees under a plan of partial self-insurance. Under this plan, the County covers claim settlements and judgments out of its General Fund resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The County purchases commercial insurance for claims in excess of coverage provided by the County. During the year ended December 31, 2017, excess coverage was obtained for any individual claim in excess of \$100,000. The County pays most of the coverage for eligible employees and their dependents. Employee contributions are used to pay claims and expenses of the plan incurred during the year.

The following describes the activity for the past three years:

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes In Estimates	Claims Paid	End of Year Claims Liability
2017	\$ 182,973	\$ 2,302,055	\$ 2,000,758	\$ 484,270
2016	N/A	794,129	611,156	182,973
2015	N/A	N/A	N/A	N/A

General Liability and Workers' Compensation

The County participates in the Association of County Commissioners of Georgia (ACCG) Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

18. Risk Management (continued)

General Liability and Workers' Compensation, continued

As part of the risk pool, the County is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool'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 pool'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 funds are 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 funds are to pay all costs taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

ACCG's responsibility includes paying claims and representing the County in defense and settlement of claims. ACCG's basis for establishing the liabilities for unpaid claims is established by an actuary. The County is unaware of any claims for which the County is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2017.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

19. Contingencies

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

The County is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County.

20. Changes in Beginning Balances

Governmental Activities

General Fund

A prior period adjustment has been made to correct the recording of intergovernmental receivables at December 31, 2016. This adjustment decreased beginning fund balance by \$119,189.

A prior period adjustment has been made to correct the recording of accounts payable at December 31, 2016. This adjustment increased beginning fund balance by \$75,270.

The net effect of these adjustments was to decrease beginning fund balance in the General Fund by \$43,919.

Law Library Special Revenue Fund

A prior period adjustment has been made to correct the recording of cash and cash equivalents at December 31, 2016. This adjustment decreased beginning fund balance by \$4,791.

FANNIN COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

20. Changes in Beginning Balances (continued)

Governmental Activities, continued

Multiple Grant Special Revenue Fund

A prior period adjustment has been made to correct the recording of intergovernmental receivables at December 31, 2016. This adjustment decreased beginning fund balance by \$22,165.

The net effect of these adjustments was to decrease beginning net position in the Governmental Activities by \$70,875.

21. Deficit Equity Balances

At December 31, 2017, the Jail Special Revenue Fund has a deficit fund balance of \$7,933. This is due to the payment for services in anticipation of future revenues. The County plans to liquidate this deficit fund balance through future revenue recognition.

22. Subsequent Event

Primary Government

Effective July 1, 2018, new enrollment in the County defined benefit pension plan will cease. Any new employees subsequent to July 1, 2018 can enroll in the County's new 401a defined contribution plan. The County will provide a match up to 4% of annual payroll.

Fannin County Development Authority Component Unit

Subsequent to the current year, on April 1, 2018, the Fannin County Development Authority leased its "Spec" building through a lease purchase agreement. Under the terms of the lease, the tenant will have the option to purchase the building for the price of \$75,000 on April 1, 2028. The total sale price on the lease purchase is \$840,000. Monthly rent at is \$5,000 for the first year, rent increases by \$500 per month each year until rent totals \$7,000 a month for the remainder of the lease.

REQUIRED SUPPLEMENTARY INFORMATION

FANNIN COUNTY, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN YEARS
December 31, 2017
(Unaudited)

	Year End		
	2017	2016	2015
Total pension liability			
Service cost	\$ 324,246	\$ 256,095	\$ 277,997
Interest	904,345	883,219	831,250
Assumption change	458,590	476,169	0
Benefit payments, including refunds of employee contributions	(446,789)	(469,179)	(416,331)
Experience (gain)/loss	591,718	(641,226)	0
Net change in total pension liability	1,832,110	505,078	692,916
Total pension liability - beginning	12,281,331	11,776,253	11,083,337
Total pension liability - ending (a)	\$ 14,113,441	\$ 12,281,331	\$ 11,776,253
Plan fiduciary net position			
Contributions - employer	\$ 816,970	\$ 635,829	\$ 760,575
Net investment income	670,044	72,954	607,484
Benefit payments, including refunds of employee contributions	(446,789)	(452,221)	(401,283)
Administrative expense	(34,924)	(27,920)	(28,197)
Other	(134,219)	(87,329)	(100,135)
Net change in plan fiduciary net position	871,082	141,313	838,444
Plan fiduciary net position - beginning	9,232,307	9,090,994	8,252,550
Plan fiduciary net position - ending (b)	\$ 10,103,389	\$ 9,232,307	\$ 9,090,994
Net pension liability (asset) - ending : (a) - (b)	\$ 4,010,052	\$ 3,049,024	\$ 2,685,259
Plan's fiduciary net position as a percentage of the total pension liability	71.59%	75.17%	77.20%
Covered payroll	\$ 5,950,065	\$ 5,024,137	\$ 5,377,003
Net pension liability as a percentage of covered payroll	67.40%	60.69%	49.94%

Note: 2015 was the first year of implementation. Therefore, only three years are reported.

FANNIN COUNTY, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN YEARS
December 31, 2017
(Unaudited)

	Year End		
	2017	2016	2015
Actuarially determined contribution	\$ 816,970	\$ 635,829	\$ 760,575
Contributions in relation to the actuarially determined contribution	(816,970)	(635,829)	(760,575)
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 6,080,405	\$ 5,950,065	\$ 5,024,137
Contributions as a percentage of covered payroll	13.44%	10.69%	15.14%

Note: 2015 was the first year of implementation. Therefore, only three years are reported.

FANNIN COUNTY, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Entry Age Normal

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 15 years

Asset valuation method = Smoothed market value with a 5-year smoothing period.

Net investment rate of return = 7.25%

Future salary increases = 5.00% per year with an age based scale

Cost of living adjustments = N/A

Normal retirement age = 65

Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table. Disabled rates were derived from a 1977 Social Security Administration study.

FANNIN COUNTY, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

3. Changes in Benefits

There have been no substantive changes since the last actuarial valuation.

4. Changes of Assumptions

Rate of Investment Return = 7.50%, revised to 7.25% as of December 31, 2016.

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally or donor restricted or committed to expenditure for particular purposes.

Law Library Fund – This fund is used to account for revenues generated through special filing charges in the County court system which are used to acquire and maintain law library materials.

Confiscated Assets Fund – This fund is used to account for confiscated seizures by Fannin County law enforcement from drug related crimes. Funds may be used for any public safety purpose except salaries of law enforcement personnel.

Multiple Grant Fund – This 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.

Crime Victims Assistance Fund – This fund is used to account for the 4% fee added to Court fines to benefit the victims of crime and their families.

Drug Fund – This fund is used 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 Fund – This fund is used 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 Fund – This fund is used to account for collection of penalty assessments in juvenile related cases. Proceeds may be expended for operations, staffing, and juvenile related programs.

Clerks Technology Fund – This fund is used to account for monies received from the Georgia Superior Court Clerks Cooperative Association for technology upgrades in the Clerk of Court's Office.

Revolving Loan Fund – This fund is used 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 Fund – This fund is used to account for capital projects for use by the County and to account for donations or other revenues received for these purposes.

Emergency 911 Fund – This fund is used to account for receipt of fees imposed on land and wireless telephone lines in the County used to offset the operation and personnel costs of providing emergency services.

Inmate Welfare Fund – This fund is used to account for receipt of commissions for commissary sales restricted for use of the benefit of inmates in the County Jail.

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COMBINING STATEMENTS

Nonmajor Governmental Funds

**FANNIN COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017**

	Special Revenue				
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug
ASSETS					
Cash and cash equivalents	\$ 18,174	\$ 11,679	\$ 106,058	\$ 6,595	\$ 63,551
Certificates of deposit	7,544	0	0	0	0
Accounts receivable	0	0	0	0	0
Intergovernmental receivables	0	0	56,581	523	737
Total assets	\$ 25,718	\$ 11,679	\$ 162,639	\$ 7,118	\$ 64,288
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 0	\$ 0	\$ 30,045	\$ 6,477	\$ 0
Due to other funds	0	0	1,980	341	0
Total liabilities	0	0	32,025	6,818	0
Fund balances					
Restricted for:					
Law library operations	25,718	0	0	0	0
Judicial activities	0	0	0	300	0
Public safety activities	0	11,679	0	0	64,288
Emergency 911 system operations	0	0	0	0	0
Grant specifications	0	0	130,614	0	0
Economic development	0	0	0	0	0
Capital outlay	0	0	0	0	0
Total fund balances	25,718	11,679	130,614	300	64,288
Total liabilities and fund balances	\$ 25,718	\$ 11,679	\$ 162,639	\$ 7,118	\$ 64,288

Special Revenue							Total Nonmajor Governmental Funds
Jail	Juvenile	Clerks Technology	Revolving Loan	Donations / Special Projects	Emergency 911	Inmate Welfare	
\$ 13,218	\$ 49,775	\$ 266,426	\$ 62,627	\$ 3,963	\$ 196,855	\$ 3,033	\$ 801,954
0	0	0	0	0	0	0	7,544
0	0	0	0	0	49,154	0	49,154
111	0	0	42,974	0	0	0	100,926
<u>\$ 13,329</u>	<u>\$ 49,775</u>	<u>\$ 266,426</u>	<u>\$ 105,601</u>	<u>\$ 3,963</u>	<u>\$ 246,009</u>	<u>\$ 3,033</u>	<u>\$ 959,578</u>
\$ 11,642	\$ 500	\$ 0	\$ 0	\$ 957	\$ 8,967	\$ 0	\$ 58,588
9,620	0	0	0	0	0	0	11,941
<u>21,262</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>957</u>	<u>8,967</u>	<u>0</u>	<u>70,529</u>
0	0	0	0	0	0	0	25,718
0	49,275	266,426	0	0	0	0	316,001
(7,933)	0	0	0	0	0	3,033	71,067
0	0	0	0	0	237,042	0	237,042
0	0	0	0	0	0	0	130,614
0	0	0	105,601	0	0	0	105,601
0	0	0	0	3,006	0	0	3,006
<u>(7,933)</u>	<u>49,275</u>	<u>266,426</u>	<u>105,601</u>	<u>3,006</u>	<u>237,042</u>	<u>3,033</u>	<u>889,049</u>
<u>\$ 13,329</u>	<u>\$ 49,775</u>	<u>\$ 266,426</u>	<u>\$ 105,601</u>	<u>\$ 3,963</u>	<u>\$ 246,009</u>	<u>\$ 3,033</u>	<u>\$ 959,578</u>

FANNIN COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2017

	Special Revenue				
	Law Library	Confiscated Assets	Multiple Grant	Crime Victims Assistance	Drug
REVENUES					
Fines, fees, and forfeitures	\$ 12,715	\$ 13,294	\$ 0	\$ 12,109	\$ 20,374
Charges for services	0	0	0	0	0
Intergovernmental	0	0	162,739	0	0
Interest	40	9	234	15	109
Other	0	0	0	0	0
Total revenues	<u>12,755</u>	<u>13,303</u>	<u>162,973</u>	<u>12,124</u>	<u>20,483</u>
EXPENDITURES					
Current					
Judicial	11,907	0	55,948	0	0
Public Safety	0	6,438	22,028	14,505	8,398
Public Works	0	0	17,200	0	0
Health and Welfare	0	0	59,500	0	0
Total expenditures	<u>11,907</u>	<u>6,438</u>	<u>154,676</u>	<u>14,505</u>	<u>8,398</u>
Excess (deficiency) of revenues over (under) expenditures	<u>848</u>	<u>6,865</u>	<u>8,297</u>	<u>(2,381)</u>	<u>12,085</u>
Other financing sources (uses)					
Transfers in	0	0	0	0	0
Transfers out	0	0	(930)	0	0
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>(930)</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>848</u>	<u>6,865</u>	<u>7,367</u>	<u>(2,381)</u>	<u>12,085</u>
Fund balances, January 1 (original)	29,661	4,814	145,412	2,681	52,203
Prior period adjustments	(4,791)	0	(22,165)	0	0
Fund balances, January 1 (restated)	<u>24,870</u>	<u>4,814</u>	<u>123,247</u>	<u>2,681</u>	<u>52,203</u>
Fund balances, December 31	<u>\$ 25,718</u>	<u>\$ 11,679</u>	<u>\$ 130,614</u>	<u>\$ 300</u>	<u>\$ 64,288</u>

Special Revenue							Total Nonmajor Governmental Funds
Jail	Juvenile	Clerks Technology	Revolving Loan	Donations / Special Projects	Emergency 911	Inmate Welfare	
\$ 17,791	\$ 2,105	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 78,388
0	0	0	0	0	382,735	17,159	399,894
0	0	43,157	0	0	0	0	205,896
52	99	67	126	7	903	0	1,661
0	0	0	0	0	3,498	0	3,498
17,843	2,204	43,224	126	7	387,136	17,159	689,337
0	3,420	44,500	0	0	0	0	115,775
27,012	0	0	0	0	759,869	17,275	855,525
0	0	0	0	0	0	0	17,200
0	0	0	0	0	0	0	59,500
27,012	3,420	44,500	0	0	759,869	17,275	1,048,000
(9,169)	(1,216)	(1,276)	126	7	(372,733)	(116)	(358,663)
0	0	0	0	0	247,454	0	247,454
0	0	0	0	0	0	0	(930)
0	0	0	0	0	247,454	0	246,524
(9,169)	(1,216)	(1,276)	126	7	(125,279)	(116)	(112,139)
1,236	50,491	267,702	105,475	2,999	362,321	3,149	1,028,144
0	0	0	0	0	0	0	(26,956)
1,236	50,491	267,702	105,475	2,999	362,321	3,149	1,001,188
\$ (7,933)	\$ 49,275	\$ 266,426	\$ 105,601	\$ 3,006	\$ 237,042	\$ 3,033	\$ 889,049

**FANNIN COUNTY, GEORGIA
LAW LIBRARY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeitures	\$ 12,000	\$ 12,715	\$ 715
Interest	<u>0</u>	<u>40</u>	<u>40</u>
Total revenues	<u>12,000</u>	<u>12,755</u>	<u>755</u>
EXPENDITURES			
Current			
Judicial			
Personal services	2,600	2,584	16
Supplies	<u>9,400</u>	<u>9,323</u>	<u>77</u>
Total expenditures	<u>12,000</u>	<u>11,907</u>	<u>93</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>848</u>	<u>848</u>
Fund balance, January 1 (original)	0	29,661	29,661
Prior period adjustments	<u>0</u>	<u>(4,791)</u>	<u>4,791</u>
Fund balance, January 1 (restated)	<u>0</u>	<u>24,870</u>	<u>24,870</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 25,718</u></u>	<u><u>\$ 25,718</u></u>

FANNIN COUNTY, GEORGIA
CONFISCATED ASSETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeitures	\$ 6,500	\$ 13,294	\$ 6,794
Interest	<u>0</u>	<u>9</u>	<u>9</u>
Total revenues	<u>6,500</u>	<u>13,303</u>	<u>6,803</u>
EXPENDITURES			
Current			
Public Safety			
Materials and supplies	<u>6,500</u>	<u>6,438</u>	<u>62</u>
Total expenditures	<u>6,500</u>	<u>6,438</u>	<u>62</u>
Excess (deficiency) of revenues over (under) expenditures	0	6,865	6,865
Fund balance, January 1	<u>0</u>	<u>4,814</u>	<u>4,814</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 11,679</u></u>	<u><u>\$ 11,679</u></u>

FANNIN COUNTY, GEORGIA
MULTIPLE GRANT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 230,000	\$ 162,739	\$ (67,261)
Interest	0	234	234
Total revenues	<u>230,000</u>	<u>162,973</u>	<u>(67,027)</u>
EXPENDITURES			
Current			
Judicial			
Personal services	0	55,948	(55,948)
Public Safety			
Materials and supplies	0	22,028	(22,028)
Capital outlay	200,000	0	200,000
Public Works			
Contract services	0	17,200	(17,200)
Health and Welfare			
Contract services	30,000	59,500	(29,500)
Total expenditures	<u>230,000</u>	<u>154,676</u>	<u>75,324</u>
Excess (deficiency) of revenues over (under) expenditures	0	8,297	8,297
Other financing sources (uses)			
Transfers in (out)			
General Fund	0	(930)	(930)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>0</u>	<u>7,367</u>	<u>7,367</u>
Fund balance, January 1 (original)	0	145,412	145,412
Prior period adjustments	0	(22,165)	(22,165)
Fund balance, January 1 (restated)	<u>0</u>	<u>123,247</u>	<u>123,247</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 130,614</u></u>	<u><u>\$ 130,614</u></u>

FANNIN COUNTY, GEORGIA
CRIME VICTIMS ASSISTANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeitures	\$ 14,975	\$ 12,109	\$ (2,866)
Interest	25	15	(10)
Total revenues	<u>15,000</u>	<u>12,124</u>	<u>(2,876)</u>
EXPENDITURES			
Current			
Public Safety			
Materials and supplies	750	725	25
Payments to Others	14,250	13,780	470
Total expenditures	<u>15,000</u>	<u>14,505</u>	<u>495</u>
Excess (deficiency) of revenues over (under) expenditures	0	(2,381)	(2,381)
Fund balance, January 1	<u>0</u>	<u>2,681</u>	<u>2,681</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 300</u></u>

**FANNIN COUNTY, GEORGIA
DRUG SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeitures	\$ 29,900	\$ 20,374	\$ (9,526)
Interest	100	109	9
Total revenues	<u>30,000</u>	<u>20,483</u>	<u>(9,517)</u>
EXPENDITURES			
Current			
Public Safety			
Contract services	36,000	4,898	31,102
Materials and supplies	0	3,500	(3,500)
Payments to others	5,000	0	5,000
Total expenditures	<u>41,000</u>	<u>8,398</u>	<u>32,602</u>
Excess (deficiency) of revenues over (under) expenditures	(11,000)	12,085	23,085
Fund balance, January 1	<u>11,000</u>	<u>52,203</u>	<u>41,203</u>
Fund balances, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 64,288</u></u>	<u><u>\$ 64,288</u></u>

FANNIN COUNTY, GEORGIA
JAIL SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeitures	\$ 41,860	\$ 17,791	\$ (24,069)
Interest	40	52	12
Total revenues	<u>41,900</u>	<u>17,843</u>	<u>(24,057)</u>
EXPENDITURES			
Current			
Public Safety			
Contract services	13,000	12,152	848
Materials and supplies	15,000	14,860	140
Total expenditures	<u>28,000</u>	<u>27,012</u>	<u>988</u>
Excess (deficiency) of revenues over (under) expenditures	13,900	(9,169)	(23,069)
Fund balance, January 1	<u>(13,900)</u>	<u>1,236</u>	<u>15,136</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ (7,933)</u></u>	<u><u>\$ (7,933)</u></u>

**FANNIN COUNTY, GEORGIA
JUVENILE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fines and forfeitures	\$ 3,440	\$ 2,105	\$ (1,335)
Interest	100	99	(1)
Total revenues	<u>3,540</u>	<u>2,204</u>	<u>(1,336)</u>
EXPENDITURES			
Current			
Judicial			
Contract services	<u>3,500</u>	<u>3,420</u>	<u>80</u>
Total expenditures	<u>3,500</u>	<u>3,420</u>	<u>80</u>
Excess (deficiency) of revenues over (under) expenditures	40	(1,216)	(1,256)
Fund balance, January 1	<u>(40)</u>	<u>50,491</u>	<u>50,531</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 49,275</u></u>	<u><u>\$ 49,275</u></u>

FANNIN COUNTY, GEORGIA
CLERKS TECHNOLOGY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 45,000	\$ 43,157	\$ (1,843)
Interest	0	67	67
Total revenues	<u>45,000</u>	<u>43,224</u>	<u>(1,776)</u>
EXPENDITURES			
Current			
Judicial			
Contract services	<u>45,000</u>	<u>44,500</u>	<u>500</u>
Total expenditures	<u>45,000</u>	<u>44,500</u>	<u>500</u>
Excess (deficiency) of revenues over (under) expenditures	0	(1,276)	(1,276)
Fund balance, January 1	<u>0</u>	<u>267,702</u>	<u>267,702</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 266,426</u></u>	<u><u>\$ 266,426</u></u>

FANNIN COUNTY, GEORGIA
REVOLVING LOAN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 0	\$ 126	\$ 126
Total revenues	<u>0</u>	<u>126</u>	<u>126</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	0	126	126
Fund balance, January 1	<u>0</u>	<u>105,475</u>	<u>105,475</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 105,601</u></u>	<u><u>\$ 105,601</u></u>

FANNIN COUNTY, GEORGIA
DONATIONS / SPECIAL PROJECTS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 0	\$ 7	\$ 7
Total revenues	<u>0</u>	<u>7</u>	<u>7</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	0	7	7
Fund balance, January 1	<u>0</u>	<u>2,999</u>	<u>2,999</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 3,006</u></u>	<u><u>\$ 3,006</u></u>

FANNIN COUNTY, GEORGIA
EMERGENCY 911 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 395,896	\$ 382,735	\$ (13,161)
Interest	1,000	903	(97)
Other	<u>0</u>	<u>3,498</u>	<u>3,498</u>
Total revenues	<u>396,896</u>	<u>387,136</u>	<u>(9,760)</u>
EXPENDITURES			
Current			
Public Safety			
Personal services	448,541	497,454	(48,913)
Contract services	127,850	76,292	51,558
Materials and supplies	28,285	31,502	(3,217)
Capital outlay	25,324	154,621	(129,297)
Debt service	<u>130,000</u>	<u>0</u>	<u>130,000</u>
Total expenditures	<u>760,000</u>	<u>759,869</u>	<u>131</u>
Excess (deficiency) of revenues over (under) expenditures	(363,104)	(372,733)	(9,629)
Other financings sources (uses)			
Transfers In	<u>250,000</u>	<u>247,454</u>	<u>(2,546)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(113,104)	(125,279)	(12,175)
Fund balance, January 1	<u>113,104</u>	<u>362,321</u>	<u>249,217</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 237,042</u></u>	<u><u>\$ 237,042</u></u>

FANNIN COUNTY, GEORGIA
INMATE WELFARE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
For the year ended December 31, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 18,000	\$ 17,159	\$ (841)
Total revenues	<u>18,000</u>	<u>17,159</u>	<u>(841)</u>
EXPENDITURES			
Current			
Public Safety			
Materials and supplies	<u>18,000</u>	<u>17,275</u>	<u>725</u>
Total expenditures	<u>18,000</u>	<u>17,275</u>	<u>725</u>
Excess (deficiency) of revenues over (under) expenditures	0	(116)	(116)
Fund balance, January 1	<u>0</u>	<u>3,149</u>	<u>3,149</u>
Fund balance, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 3,033</u></u>	<u><u>\$ 3,033</u></u>

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AGENCY FUNDS

These funds are used to account for assets held by the County as an agent to be expended in accordance with the conditions of its agency capacity.

Clerk of Superior Court, Judge of Probate Court, and Magistrate Court - These funds account for assets and related liabilities for the collection of court related fees.

Sheriff - This fund accounts for deposits held for incarcerated inmates.

Tax Commissioner - This fund accounts for assets and related liabilities for the collection of taxes and tag and title fees.

**FANNIN COUNTY, GEORGIA
AGENCY FUNDS
COMBINING BALANCE SHEET
December 31, 2017**

	<u>Clerk of Superior Court</u>	<u>Judge of Probate Court</u>
ASSETS		
Cash and cash equivalents	\$ 339,643	\$ 34,583
Taxes receivable, net	<u>0</u>	<u>0</u>
Total assets	<u><u>\$ 339,643</u></u>	<u><u>\$ 34,583</u></u>
LIABILITIES		
Due to others	<u>\$ 339,643</u>	<u>\$ 34,583</u>
Total liabilities	<u><u>\$ 339,643</u></u>	<u><u>\$ 34,583</u></u>

<u>Magistrate Court</u>	<u>Sheriff</u>	<u>Tax Commissioner</u>	<u>Totals</u>
\$ 6,802	\$ 22,199	\$ 5,680,932	\$ 6,084,159
<u>0</u>	<u>0</u>	<u>2,337,355</u>	<u>2,337,355</u>
<u>\$ 6,802</u>	<u>\$ 22,199</u>	<u>\$ 8,018,287</u>	<u>\$ 8,421,514</u>
 \$ 6,802	 \$ 22,199	 \$ 8,018,287	 \$ 8,421,514
<u>\$ 6,802</u>	<u>\$ 22,199</u>	<u>\$ 8,018,287</u>	<u>\$ 8,421,514</u>

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FANNIN COUNTY, GEORGIA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the year ended December 31, 2017

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
CLERK OF SUPERIOR COURT				
ASSETS				
Cash and cash equivalents	\$ 313,743	\$ 1,591,581	\$ 1,565,681	\$ 339,643
LIABILITIES				
Due to others	\$ 313,743	\$ 1,591,581	\$ 1,565,681	\$ 339,643
JUDGE OF PROBATE COURT				
ASSETS				
Cash and cash equivalents	\$ 26,859	\$ 280,705	\$ 272,981	\$ 34,583
LIABILITIES				
Due to others	\$ 26,859	\$ 280,705	\$ 272,981	\$ 34,583
MAGISTRATE COURT				
ASSETS				
Cash and cash equivalents	\$ 7,673	\$ 148,416	\$ 149,287	\$ 6,802
LIABILITIES				
Due to others	\$ 7,673	\$ 148,416	\$ 149,287	\$ 6,802
SHERIFF				
ASSETS				
Cash and cash equivalents	\$ 3,124	\$ 148,149	\$ 129,074	\$ 22,199
LIABILITIES				
Due to others	\$ 3,124	\$ 148,149	\$ 129,074	\$ 22,199
TAX COMMISSIONER				
ASSETS				
Cash and cash equivalents	\$ 5,096,941	\$ 28,565,195	\$ 27,981,204	\$ 5,680,932
Taxes receivable, net	2,705,282	15,423,887	15,791,814	2,337,355
Total	\$ 7,802,223	\$ 43,989,082	\$ 43,773,018	\$ 8,018,287
LIABILITIES				
Due to others	\$ 7,802,223	\$ 43,989,082	\$ 43,773,018	\$ 8,018,287
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 5,448,340	\$ 30,734,046	\$ 30,098,227	\$ 6,084,159
Taxes receivable, net	2,705,282	15,423,887	15,791,814	2,337,355
Total	\$ 8,153,622	\$ 46,157,933	\$ 45,890,041	\$ 8,421,514
LIABILITIES				
Due to others	\$ 8,153,622	\$ 46,157,933	\$ 45,890,041	\$ 8,421,514

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OTHER REPORTING SECTION

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

Honorable Chairman and
Members of the Board of Commissioners
Fannin County, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2017, and the related notes to the financial statements, which collectively comprise Fannin County, Georgia's basic financial statements and have issued our report thereon dated May 25, 2018. Our report includes a reference to other auditors who audited the financial statements of the Fannin County Department of Public Health and the Fannin County Water Authority, as described in our report on Fannin County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that were reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fannin County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fannin County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Fannin County, Georgia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiencies in internal control to be material weaknesses:

2017-001

Condition: The 2016 financial statements were restated for errors and incorrectly reported amounts in the General Fund, Law Library Special Revenue Fund, and Multiple Grant Special Revenue Fund.

Criteria: Generally accepted accounting principles require that accruals be properly calculated and recorded.

Effect: Failure to properly apply generally accepted accounting principles led to financial statements that were materially misstated.

2017-001, continued

Recommendation: Management should review their year-end procedures for recording assets and liabilities.

Management Response: Management concurs with this finding. Finance personnel will review all year-end accruals to ensure they are properly calculated and recorded. This action was taken immediately upon receipt of the comment from our auditors.

2017-002

Condition: While performing audit procedures at the Probate Court, we noted that there is a lack of segregation of duties. The Chief Clerk processes cash receipts, records cash receipts, prepares the deposit, and takes the deposit to the bank.

Criteria: Proper internal controls require adequate segregation of duties in control over adjustments to the general ledger.

Effect: Failure to maintain adequate segregation of duties subjects the assets of the County to greater risk of misappropriation.

Recommendation: To ensure that sufficient internal controls are in place, the Probate Court should properly segregate duties.

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-003

Condition: While performing audit procedures at the Sheriff's office, we noted that there is a lack of segregation of duties. The Detention Center Commander does all of the receipting, daily balancing, prepares and signs all checks, prepares debit cards for inmates, and delivers the deposits to the bank.

Criteria: Proper internal controls require adequate segregation of duties.

Effect: Failure to maintain adequate segregation of duties subjects the assets of the County to greater risk of misappropriation.

Recommendation: To ensure that sufficient internal controls are in place, the Sheriff's office should properly segregate duties.

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-004

Condition: While performing audit procedures at the Development Authority, we noted that there is a lack of segregation of duties. The Executive Director does all of the receipting, daily balancing, prepares and signs all checks, and delivers the deposits to the bank.

Criteria: Proper internal controls require adequate segregation of duties.

Effect: Failure to maintain adequate segregation of duties subjects the assets of the County to greater risk of misappropriation.

2017-004, continued

Recommendation: To ensure that sufficient internal controls are in place, the Development Authority should properly segregate duties.

Management Response: Management has provided a copy of this finding to the Development Authority and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

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 in internal control to be significant deficiencies:

2017-005

Condition: While performing audit procedures at the Clerk of Court's office, we noted instances where deposits were not made timely. Receipts were held for more than seven days before depositing in 29 of 40 (73%) receipts tested.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the County's assets to a greater risk of loss due to fraud.

Recommendation: At a minimum, deposits should be made weekly.

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-006

Condition: While performing audit procedures at the Clerk of Court's office, we noted that voided receipts had no evidence of approval.

Criteria: Proper internal controls require that all transactions be properly approved.

Effect: Failure to maintain an appropriate approval process for voided transactions subjects the assets of the County to greater risk of misappropriation.

Recommendation: All voided receipts should have evidence of approval by management.

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-007

Condition: While performing audit procedures at the Probate Court, we noted instances where deposits were not made timely. We noted 15 of 30 (50%) receipts tested were held for more than seven days before depositing.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the County to a greater risk of loss due to fraud.

Recommendation: At a minimum, deposits should be made weekly.

2017-007, continued

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-008

Condition: While performing audit procedures at the Sheriff's office, we noted that the Cash Evidence account is not being reconciled on a monthly basis.

Criteria: Proper internal controls require that cash accounts be reconciled to the general ledger in a timely manner, usually monthly.

Effect: Failure to reconcile cash accounts exposes the County to greater risk of loss and may lead to management decisions based on incorrect information.

Recommendation: Although some months do have limited activity, we recommend that bank reconciliations be prepared and reviewed on a monthly basis.

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-009

Condition: While performing audit procedures at the Tax Commissioner's office, we noted that the bank reconciliations being performed are not reconciling the bank balance to the general ledger balance. After determining the correct reconciled balance, we noted that the subsequent payouts of the current period's receipts exceeded the ending reconciled cash balance.

Criteria: Proper internal controls require that cash accounts be reconciled to the general ledger in a timely manner, usually monthly. Ending reconciled cash balances of an agency fund should then be reconciled with the subsequent payouts.

Effect: Failure to reconcile cash accounts to the general ledger and with the subsequent payouts exposes the County to greater risk of loss and may lead to management decisions based on incorrect information.

Recommendation: We recommend that bank reconciliations be prepared and reviewed on a monthly basis. After reconciling the bank statements, subsequent payouts should be compared with the ending reconciled cash balance.

Management Response: Management has provided a copy of this finding to the appropriate Elected Official and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-010

Condition: While performing audit procedures at the Law Library, we noted that deposits were not made timely. Receipts were held for more than seven days before depositing.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the County to a greater risk of loss due to fraud.

Recommendation: At a minimum, deposits should be made weekly.

2017-010, continued

Management Response: Management has provided a copy of this finding to the Law Library personnel and they concur with this finding. This action was taken immediately upon receipt of the comment from our auditors.

2017-011

Condition: While performing audit procedures on receipts for hotel/motel tax, we noted instances where deposits were not made timely. We noted 15 of 30 (50%) receipts tested were held for more than seven days before depositing.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the County to a greater risk of loss due to fraud.

Recommendation: At a minimum, deposits should be made weekly.

Management Response: Management concurs with this finding. Management has advised the department head to implement the recommendation and to ensure that deposits are made timely. This action was taken immediately upon receipt of the comment from our auditors.

2017-012

Condition: While performing audit procedures on receipts for parks and recreation charges, we noted instances where deposits were not made timely. We noted 10 of 30 (33%) receipts tested were held for more than seven days before depositing.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the County to a greater risk of loss due to fraud.

Recommendation: At a minimum, deposits should be made weekly.

Management Response: Management concurs with this finding. Management has advised the department head to implement the recommendation and to ensure that deposits are made timely. This action was taken immediately upon receipt of the comment from our auditors.

2017-013

Condition: While performing audit procedures on receipts for building permits, we noted instances where deposits were not made timely. We noted 6 of 40 (15%) receipts tested were held for more than seven days before depositing.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to deposit cash receipts in a timely manner exposes the County to a greater risk of loss due to fraud.

Recommendation: At a minimum, deposits should be made weekly.

Management Response: Management concurs with this finding. Management has advised the department head to implement the recommendation and to ensure that deposits are made timely. This action was taken immediately upon receipt of the comment from our auditors.

2017-014

Condition: While performing audit procedures at the EMS Department, we noted that there is a lack of segregation of duties between the posting and approving of account adjustments in the EMS Department. Account adjustments were reviewed during audit procedures and appeared appropriate.

Criteria: Proper segregation of duties requires that the duties of authorizing and recording adjustments be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording adjustments exposes the County to a greater risk of loss due to fraud.

Recommendation: In order to provide proper segregation of duties, the review and approval of all account adjustments should be performed by a different individual than the individual posting adjustments. The individual designated to review and approve account adjustments should also periodically obtain a listing of account adjustments from the accounting software package to ensure all account adjustments posted have been reviewed and approved.

Management Response: Management concurs with this finding. The EMS Director will establish a system of review and approval of account adjustments that has proper segregation of duties. This action was taken immediately upon receipt of the comment from our auditors.

2017-015

Condition: While performing audit procedures on journal entries, we noted that journal entries originated by the Finance Director did not have evidence of approval. All journal entries reviewed during audit procedures appeared appropriate.

Criteria: Proper segregation of duties requires that the duties of authorizing and recording journal entries be performed by different employees.

Effect: Failure to properly segregate the duties of authorizing and recording journal entries exposes the County to a greater risk of loss due to fraud.

Recommendation: In order to provide proper segregation of duties, the review and approval of all journal entries should be performed by a different individual than the individual posting them. The individual designated to review and approve journal entries should also periodically obtain a listing of journal entries from the accounting software package to ensure all journal entries posted have been reviewed and approved.

Management Response: Management concurs with this finding. The Finance Director will establish a system of review and approval of journal entries that has proper segregation of duties. This action was taken immediately upon receipt of the comment from our auditors.

2017-016

Condition: While performing audit procedures on purchases with County credit cards, we noted instances where credit card transactions did not have supporting documentation. During our testing, we noted 8 of 40 (20%) credit card transactions tested had no supporting documentation.

Criteria: Proper internal controls required that all transactions have supporting documentation.

Effect: Failure to maintain adequate supporting documentation for financial transactions exposes the County to a greater risk of loss due to fraud.

Recommendation: Supporting documentation should be maintained for all credit card transactions.

Management Response: Management concurs with this finding. For each transaction, a credit card receipt with documentation of business purpose will be filed with the monthly credit card statement. This action was taken immediately upon receipt of the comment from our auditors.

2017-017

Condition: While performing audit procedures on disbursements, we noted that the approved purchase order policies and procedures are not being followed. Purchase orders are being obtained subsequent to the purchase.

Criteria: Proper internal controls require proper approval prior to purchasing goods or services.

Effect: Failure to obtain proper approval prior to purchase exposes the County to a greater risk of loss due to fraud.

Recommendation: In accordance with the current adopted ordinance, purchases greater than \$4,500 should have approval prior to disbursement.

Management Response: Management concurs with this finding. Purchase orders will be obtained and approved prior to purchasing. This action was taken immediately upon receipt of the comment from our auditors.

Compliance and Other Matters

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

Fannin County, Georgia's Responses to Findings

Fannin County, Georgia's responses to the findings identified in our audit are described previously. Fannin County, Georgia's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants

Gainesville, Georgia
May 25, 2018

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STATE REPORTING SECTION

This section contains additional reports required by the State of Georgia.

FANNIN COUNTY, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH SPECIAL
PURPOSE LOCAL OPTION SALES TAX
For the year ended December 31, 2017

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2011 Projects					
Roads and Bridges Improvements	\$ 17,025,000	\$ 17,025,000	\$ 13,798,862	\$ 2,222,087	\$ 16,020,949
Capital Improvements:					
Water	2,500,000	2,500,000	1,705,471	417,259	2,122,730
Capital Outlay	2,500,000	2,500,000	993,979	919,622	1,913,601
Contractual Payments:					
City of Blue Ridge	1,575,000	1,575,000	1,370,048	262,873	1,632,921
City of McCaysville	1,400,000	1,400,000	1,216,675	219,342	1,436,017
Total	\$ 25,000,000	\$ 25,000,000	\$ 19,085,035	\$ 4,041,183	\$ 23,126,218

Expenditures Financed by Other Revenues 615,220
\$ 4,656,403

Total Expenditures of the SPLOST / Roads Fund \$ 3,736,662
Total Expenditures of the SPLOST / Capital Improvements Fund 919,741
\$ 4,656,403

Project	Estimated Cost *		Expenditures		
	Original	Current	Prior Years	Current Year	Total
2017 Projects					
Roads and Bridges Improvements	\$ 17,370,000	\$ 17,370,000	\$ 0	\$ 116	\$ 116
Capital Improvements:					
Water	2,100,000	2,100,000	0	99,354	99,354
Administrative Building and Parking Deck	3,150,000	3,150,000	0	0	0
Recreation	1,500,000	1,500,000	0	0	0
Public Safety	2,100,000	2,100,000	0	0	0
Contractual Payments:					
City of Blue Ridge	2,100,000	2,100,000	0	99,354	99,354
City of McCaysville	1,680,000	1,680,000	0	51,096	51,096
Total	\$ 30,000,000	\$ 30,000,000	\$ 0	\$ 249,920	\$ 249,920

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds

FANNIN COUNTY, GEORGIA
SCHEDULE OF COMPLETED STATE AWARDS EXPENDED
GEORGIA DEPARTMENT OF HUMAN SERVICES
For the year ended December 31, 2017

<u>State Program Name</u>	<u>Grant Period</u>	<u>Contract Number</u>	<u>Amount Awarded</u>	<u>State Revenues</u>	<u>State Expenditures</u>	<u>Amount Due from State</u>
Family Connections	07/01/16 to 06/30/17	42700-93-171700062	\$ 47,000	\$ 23,500	\$ 23,500	\$ 0
Family Connections	07/01/17 to 06/30/18	42700-93-181800062	<u>48,500</u>	<u>24,500</u>	<u>24,500</u>	<u>12,125</u>
Total			<u><u>\$ 95,500</u></u>	<u><u>\$ 48,000</u></u>	<u><u>\$ 48,000</u></u>	<u><u>\$ 12,125</u></u>

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