

BANKS COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**SUMMARY OF AUDITOR'S RESULTS**

**A. Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified:	None reported
Significant deficiencies identified not considered material weaknesses:	One reported
Noncompliance material to financial Statements noted?	None reported

**B. Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiencies identified not considered material weaknesses:	None reported
Type of auditor's report issued on compliance of major programs:	Unqualified
Any audit findings disclosed that are required to be Reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major program:	
CFDA 66.458 ARRA Capitalization Grants for Clean Water State Revolving Funds	
Dollar threshold used to distinguish Between Type A and Type B programs:	\$300,000
Auditee qualified as low risk auditee?	No

**BANKS COUNTY, GEORGIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
ON BUDGETARY ACCOUNTING AND CONTROL  
YEAR ENDED JUNE 30, 2010**

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards is a summary of the expenditures relating to the County's federal award programs. The schedule is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BANKS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010

<b><u>FEDERAL GRANT/PASS THROUGH GRANTOR/PROGRAM TITLE</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Grant/ Contract Number</u></b>	<b><u>Federal Expenditures</u></b>
<b>U.S. Environmental Protection Agency:</b>			
<b>Indirect Federal Funding:</b>			
Georgia Environmental Finance Authority (GEFA):			
ARRA-Capitalization Grants for Clean Water			
State Revolving Funds (Federal Portion)			
Clearwell Project	66.458	DWSRF 09-015	\$ <u>740,169</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>740,169</u>
<b>U.S. Department of Homeland Security</b>			
<b>Federal Emergency Management Agency</b>			
FEMA Assistance to Firefighters Grant Program	97.044	EMW-2008-FO-02131	<u>161,278</u>
<b>Total U.S. Department of Homeland Security</b>			
<b>Federal Emergency Management Agency</b>			<u>161,278</u>
<b>Total Expenditure of Federal Awards</b>			\$ <u><u>901,447</u></u>

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

### Internal Control over Compliance

Management of Banks County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Banks County, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Banks County, Georgia's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

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

Duncan & Kitchens, LLC

Duncan & Kitchens, LLC

# DUNCAN & KITCHENS, LLC

*Certified Public Accountants*

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 19, 2010

To the Commissioners  
Banks County, Georgia  
Homer, Georgia

We have audited the compliance of the Banks County, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Banks County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Banks County, Georgia's management. Our responsibility is to express an opinion on Banks County, Georgia's compliance based on our audit.

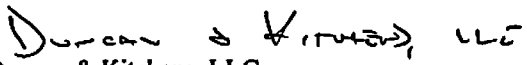
Banks County, Georgia's basic financial statements include the operation of a legally separate component unit, Banks County Health Department. Any amounts of federal awards received by that component unit are not included in the accompanying schedule of expenditures of federal awards. Our audit, described below, did not include the operations of Banks County Health because the component unit engaged other auditors to perform any audit required in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Banks County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Banks County, Georgia's compliance with those requirements.

In our opinion, Banks County, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

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

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

  
Duncan & Kitchens, LLC

## Comment 09-1

**Condition:** County personnel may require additional training in the application of generally accepted principles and the preparation of financial statements. Currently, the County relies on the external auditors for technical assistance in applying generally accepted accounting principles and the preparation of the financial statements. This is common in governments of similar size and structure to the County. Under current auditing standards, providing technical assistance does not impair the independence of the external auditor. However, future changes to auditing standards by standards setting boards could state that providing technical assistance would impair the independence of the external auditor. This does not indicate that the Finance Director is not trained to perform the daily accounting functions, but that the County has elected as a cost benefit to outsource this expertise to their auditors. As required, we have indicated this as a significant deficiency in our letter on Internal Control and Compliance.

**Criteria:** Effective internal control requires that the County accept responsibility and understanding of the audited financial report.

**Effect:** Failure to understand the financial statements may lead to material misstatements.

**Recommendation:** County personnel should continue to receive training in the identification and application of generally accepted accounting principles and the preparation of the County's financial statements.

**Management Response:** Banks County Management agrees with this finding and understands the requirement of SAS 112 to issue this statement as a Significant Deficiency. All employees of the Board of Commissioners Finance Office will continue to seek training in the application of generally accepted accounting principles and in the preparation of the County's financial statements. Until such time it is financially feasible for the County finance staff to prepare the County's financial statements, the Finance Office will continue to rely on an independent auditor to prepare them.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Banks County Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

### Compliance and Other Matters

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

November 19, 2010

To the Commissioners  
Banks County  
Homer, Georgia

We have audited the accompanying financial statements of the governmental activities, the business –type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Banks County, Georgia, as of and for the year ended June 30, 2010, which collectively comprise Banks County Georgia's basic financial statements and have issued our report thereon dated November 30, 2010. We did not audit the financial statements of the Banks County Health Department, a component unit of Banks County, Georgia. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Banks County Health Department, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We noted the following significant deficiencies in the internal control over financial reporting:



## OTHER REPORTS

BANKS COUNTY  
SCHEDULE OF PROJECTS CONSTRUCTED  
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SCHEDULE 7

**2001 SPECIAL PURPOSE LOCAL OPTION SALES TAX**

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST</u>	<u>ADJUSTED ESTIMATED COST</u>	<u>PRIOR TOTAL</u>	<u>CURRENT TOTAL</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
Jail Construction	\$ 3,356,250	\$ 3,766,122	\$ 3,650,844	\$ 0	96.94%
Safety Facilities and Fire Trucks	2,013,750	1,952,183	1,790,954	0	91.74%
Recreation Facilities	1,074,000	1,573,241	688,376	0	43.76%
Roads & Bridges	1,611,000	1,336,429	458,928	0	34.34%
Water Treatment Facilities	<u>5,370,000</u>	<u>4,474,131</u>	<u>4,662,116</u>	<u>0</u>	104.20%
	<u>\$ 13,425,000</u>	<u>\$ 13,102,106</u>	<u>\$ 11,251,218</u>	<u>\$ 0</u>	

**2006 SPECIAL PURPOSE LOCAL OPTION SALES TAX**

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST</u>	<u>PRIOR TOTAL</u>	<u>CURRENT TOTAL</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
Courthouse Annex Building	\$ 8,000,000	\$ 7,302,033	\$ 256,296	94.48%
Fire/EMS Buildings and Equipment	158,000	158,000	0	100.00%
Sewage Expansion Project	1,000,000	1,264,563	0	126.46%
Roads and Bridges	1,000,000	1,479,099	0	147.91%
City Projects				
Homer	950,000	987,579	0	103.96%
Maysville	460,000	477,532	0	103.81%
Baldwin	300,000	313,512	0	104.50%
Alto	75,000	76,867	0	102.49%
Lula	<u>57,000</u>	<u>58,905</u>	<u>0</u>	103.34%
	<u>12,000,000</u>	<u>12,118,090</u>	256,296	

**Reconciliation to Exhibit 4**

Banks County General Obligation Bonds Series 2006	
Principal	1,960,000
Interest	338,200
Less Sales Tax Allocated To Cities	0
Total Expenditure per Exhibit 4	<u>\$ 2,554,496</u>

BANKS COUNTY  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSET AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SCHEDULE 6 (Continued)

CLERK OF COURT

	2009	ADDITIONS	DEDUCTIONS	2010
<b>ASSETS</b>				
Cash	\$ 169,807	\$ 755,552	\$ 728,523	\$ 196,836
<b>TOTAL ASSETS</b>	<u>\$ 169,807</u>	<u>\$ 755,552</u>	<u>\$ 728,523</u>	<u>\$ 196,836</u>
<b>LIABILITIES</b>				
Accounts Payable				
Due to Other Government Agencies	\$ 97,602	\$ 408,041	\$ 416,281	\$ 89,362
Unsettled Escrow	<u>72,205</u>	<u>347,511</u>	<u>312,242</u>	<u>107,474</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 169,807</u>	<u>\$ 755,552</u>	<u>\$ 728,523</u>	<u>\$ 196,836</u>

MAGISTRATE

<b>ASSETS</b>				
Cash	\$ 7,543	\$ 85,266	\$ 78,807	\$ 14,002
<b>TOTAL ASSETS</b>	<u>\$ 7,543</u>	<u>\$ 85,266</u>	<u>\$ 78,807</u>	<u>\$ 14,002</u>
<b>LIABILITIES</b>				
Accounts Payable				
Due to Other Government Agencies	\$ 2,530	\$ 38,359	\$ 36,693	\$ 4,196
Unsettled Escrow	<u>5,013</u>	<u>46,907</u>	<u>42,114</u>	<u>9,806</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 7,543</u>	<u>\$ 85,266</u>	<u>\$ 78,807</u>	<u>\$ 14,002</u>

PROBATION OFFICE

<b>ASSETS</b>				
Cash	\$ 25,317	\$ 79,291	\$ 83,940	\$ 20,668
<b>TOTAL ASSETS</b>	<u>\$ 25,317</u>	<u>\$ 79,291</u>	<u>\$ 83,940</u>	<u>\$ 20,668</u>
<b>LIABILITIES</b>				
Accounts Payable				
Due to Other Government Agencies	\$	\$ 42,652	\$ 42,652	\$
Unsettled Escrow	<u>25,317</u>	<u>36,639</u>	<u>41,288</u>	<u>20,668</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 25,317</u>	<u>\$ 79,291</u>	<u>\$ 83,940</u>	<u>\$ 20,668</u>

TOTALS

<b>ASSETS</b>				
Cash	\$ 1,266,215	\$ 13,701,525	\$ 13,437,645	\$ 1,530,095
<b>TOTAL ASSETS</b>	<u>\$ 1,266,215</u>	<u>\$ 13,701,525</u>	<u>\$ 13,437,645</u>	<u>\$ 1,530,095</u>
<b>LIABILITIES</b>				
Accounts Payable				
Due to Other Government Agencies	\$ 896,050	\$ 13,221,898	\$ 13,042,001	\$ 1,075,947
Unsettled Escrow	<u>370,165</u>	<u>479,627</u>	<u>395,644</u>	<u>454,148</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,266,215</u>	<u>\$ 13,701,525</u>	<u>\$ 13,437,645</u>	<u>\$ 1,530,095</u>

BANKS COUNTY  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSET AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TAX COMMISSIONER

	<u>2009</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>2010</u>
ASSETS				
Cash	\$ <u>1,026,012</u>	\$ <u>11,832,822</u>	\$ <u>11,591,666</u>	\$ <u>1,267,168</u>
TOTAL ASSETS	\$ <u>1,026,012</u>	\$ <u>11,832,822</u>	\$ <u>11,591,666</u>	\$ <u>1,267,168</u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>758,382</u>	\$ <u>11,784,252</u>	\$ <u>11,591,666</u>	\$ <u>950,968</u>
Unsettled Escrow	<u>267,630</u>	<u>48,570</u>		<u>316,200</u>
TOTAL LIABILITIES	\$ <u>1,026,012</u>	\$ <u>11,832,822</u>	\$ <u>11,591,666</u>	\$ <u>1,267,168</u>

SHERIFF

ASSETS				
Cash	\$ <u>24,099</u>	\$ <u>153,669</u>	\$ <u>160,436</u>	\$ <u>17,332</u>
TOTAL ASSETS	\$ <u>24,099</u>	\$ <u>153,669</u>	\$ <u>160,436</u>	\$ <u>17,332</u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>24,099</u>	\$ <u>153,669</u>	\$ <u>160,436</u>	\$ <u>17,332</u>
TOTAL LIABILITIES	\$ <u>24,099</u>	\$ <u>153,669</u>	\$ <u>160,436</u>	\$ <u>17,332</u>

PROBATE JUDGE

ASSETS				
Cash	\$ <u>7,045</u>	\$ <u>369,936</u>	\$ <u>371,622</u>	\$ <u>5,359</u>
TOTAL ASSETS	\$ <u>7,045</u>	\$ <u>369,936</u>	\$ <u>371,622</u>	\$ <u>5,359</u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>7,045</u>	\$ <u>369,936</u>	\$ <u>371,622</u>	\$ <u>5,359</u>
TOTAL LIABILITIES	\$ <u>7,045</u>	\$ <u>369,936</u>	\$ <u>371,622</u>	\$ <u>5,359</u>

FEDERAL EQUITY SHARING

ASSETS				
Cash	\$ <u>6,392</u>	\$ <u>424,989</u>	\$ <u>422,651</u>	\$ <u>8,730</u>
TOTAL ASSETS	\$ <u>6,392</u>	\$ <u>424,989</u>	\$ <u>422,651</u>	\$ <u>8,730</u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>6,392</u>	\$ <u>424,989</u>	\$ <u>422,651</u>	\$ <u>8,730</u>
TOTAL LIABILITIES	\$ <u>6,392</u>	\$ <u>424,989</u>	\$ <u>422,651</u>	\$ <u>8,730</u>

BANKS COUNTY  
AGENCY FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2010

ASSETS	TAX COMMISSIONER		PROBATION OFFICE		SHERIFF		PROBATE JUDGE		FEDERAL EQUITY SHARING		CLERK OF COURT		MAGISTRATE COURT		COMBINED TOTALS		
Cash	\$	1,267,168	\$	20,668	\$	17,332	\$	5,359	\$	8,730	\$	196,836	\$	14,002	\$	1,530,095	
TOTAL ASSETS	\$	<u>1,267,168</u>	\$	<u>20,668</u>	\$	<u>17,332</u>	\$	<u>5,359</u>	\$	<u>8,730</u>	\$	<u>196,836</u>	\$	<u>14,002</u>	\$	<u>1,530,095</u>	
LIABILITIES																	
	Accounts Payable																
	Due to Other Government Agencies	\$	950,968	\$		\$	17,332	\$	5,359	\$	8,730	\$	89,362	\$	4,196	\$	1,075,947
	Unsettled Escrow		316,200		20,668								107,474		9,806		454,148
	TOTAL LIABILITIES	\$	<u>1,267,168</u>	\$	<u>20,668</u>	\$	<u>17,332</u>	\$	<u>5,359</u>	\$	<u>8,730</u>	\$	<u>196,836</u>	\$	<u>14,002</u>	\$	<u>1,530,095</u>

BANKS COUNTY  
FAMILY CONNECTIONS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
Grants	\$ 50,000	\$ 34,511	\$ (15,489)
Local Matching		2,572	2,572
Interest Income		10	10
TOTAL REVENUE	<u>50,000</u>	<u>37,093</u>	<u>(12,907)</u>
EXPENDITURES			
Operating	3,300	162	3,300
Per Diem & Contract Fees	45,600	45,600	
Telecommunications	<u>1,100</u>	<u>900</u>	<u>200</u>
TOTAL EXPENDITURES	<u>50,000</u>	<u>46,662</u>	<u>3,500</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES		<u>(9,569)</u>	<u>(9,407)</u>
FUND BALANCES BEGINNING OF YEAR		<u>(840)</u>	
FUND BALANCES END OF YEAR		<u>\$ (10,409)</u>	

BANKS COUNTY  
PUBLIC TRANSPORTATION SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

REVENUES		ORIGINAL AND FINAL BUDGET		ACTUAL		VARIANCE FROM BUDGET	
Grants	Local Matching	\$	13,931	\$	6,663	\$	(7,268)
Fees	TOTAL REVENUE		34,828		17,270		(17,558)
EXPENDITURES							
Administrative	Transportation		2,837		1,164		1,673
TOTAL EXPENDITURES			31,991		16,106		15,885
EXCESS - DEFICIENCY REVENUES							
OVER EXPENDITURES							
FUND BALANCES BEGINNING OF YEAR							
FUND BALANCES END OF YEAR							

SCHEDULE 2

SPECIAL  
REVENUE

JUVENILE SUPERVISION FUND	JAIL FUND	LAW LIBRARY	DRUG SURCHARGE	PUBLIC TRANSPORTATION	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$	\$	\$	\$	\$	\$
				6,663	57,350
					285,558
430	131,595	11,813	25,978	6,663	9,235
8	58		24	3,944	195,735
438	131,653	11,813	26,002	17,270	110
					547,988
					113,792
	171,055		7,124		209,440
		13,122			13,122
				17,270	17,270
					46,662
					5,748
	171,055	13,122	7,124	17,270	406,034
438	(39,402)	(1,309)	18,878		141,955
	(100,000)				(271,766)
438	(139,402)	(1,309)	18,878		(129,812)
19,250	167,587	44,030	50,358		303,285
\$ 19,688	\$ 28,185	\$ 42,721	\$ 69,236	\$	\$ 173,474



BANKS COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE				
	FAMILY CONNECTIONS	HOTEL MOTEL TAX	VICTIMS ASSISTANCE	PANDEMIC FLU GRANT	EMP GRANT FUND
REVENUES					
Grants	\$ 34,511	\$	\$	\$ 6,176	\$ 10,000
Taxes		285,558			
Local Matching	2,572				
Fees			21,975		
Interest	10		6	4	
TOTAL REVENUE	<u>37,093</u>	<u>285,558</u>	<u>21,981</u>	<u>6,180</u>	<u>10,000</u>
EXPENDITURES					
Tourism and Promotion		113,792			
Law Enforcement			31,261		
Law Library					
Ⓒ Transportation System					
Family Connections	46,662				
General Government				3,846	1,901
TOTAL EXPENDITURES	<u>46,662</u>	<u>113,792</u>	<u>31,261</u>	<u>3,846</u>	<u>1,901</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(9,569)	171,766	(9,280)	2,334	8,099
OTHER FINANCING SOURCES (USES)					
Transfers Out:		(171,766)			
NET CHANGES IN FUND BALANCE	<u>(9,569)</u>		<u>(9,280)</u>	<u>2,334</u>	<u>8,099</u>
FUND BALANCE BEGINNING OF YEAR	<u>(840)</u>		<u>22,900</u>		
FUND BALANCE END OF YEAR	\$ <u>(10,409)</u>	\$	\$ <u>13,620</u>	\$ <u>2,334</u>	\$ <u>8,099</u>

SPECIAL  
REVENUE

JAIL FUND	\$ 28,185	\$ 42,721	\$ 69,236	\$ 186,463
LAW LIBRARY	\$ 42,721	\$ 42,721	\$ 69,236	\$ 186,463
DRUG SURCHARGE	\$ 69,236	\$ 69,236	\$ 69,236	\$ 186,463
TOTAL NONMAJOR GOVERNMENTAL FUNDS	\$ 12,989	\$ 12,989	\$ 173,474	\$ 186,463

**BANKS COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010**

<u>SPECIAL</u> <u>REVENUE</u>					
FAMILY CONNECTIONS	\$ 2,580	\$ 13,620	\$ 19,688	\$ 2,334	\$ 8,099
VICTIMS ASSISTANCE	\$ 13,620	\$ 13,620	\$ 19,688	\$ 2,334	\$ 8,099
JUVENILE SUPERVISION	\$ 19,688	\$ 19,688	\$ 19,688	\$ 2,334	\$ 8,099
PANDEMIC FLU GRANT	\$ 2,334	\$ 2,334	\$ 2,334	\$ 2,334	\$ 8,099
EMP GRANT	\$ 8,099	\$ 8,099	\$ 8,099	\$ 8,099	\$ 8,099
<b>ASSETS</b>					
<b>Cash</b>					
<b>TOTAL ASSETS</b>					
<b>LIABILITIES</b>					
<b>Accounts Payable</b>					
<b>TOTAL LIABILITIES</b>					
<b>FUND BALANCE</b>					
<b>Fund Balance</b>					
<b>TOTAL LIABILITIES AND</b>					
<b>FUND BALANCE</b>					

BANKS COUNTY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXHIBIT 9

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
<b>REVENUES</b>				
Taxes				
Property Tax	\$ 4,809,450	\$ 4,988,607	\$ 4,616,566	\$ (372,041)
Local Option Sales Tax	2,600,000	2,406,000	2,450,814	44,814
Beverage	230,850	230,850	211,356	(19,494)
Other	682,500	677,500	637,755	(39,745)
License and Permits	135,000	120,000	100,891	(19,109)
Fines & Forfeitures	777,000	687,000	590,578	(96,422)
Fees	1,467,500	1,203,500	1,260,304	56,804
Interest	150,000	110,000	45,388	(64,612)
Other	5,000	5,000	14,176	9,176
<b>TOTAL REVENUES</b>	<b>10,857,300</b>	<b>10,428,457</b>	<b>9,927,828</b>	<b>(500,629)</b>
<b>EXPENDITURES</b>				
Current:				
General Government	2,209,851	2,088,452	1,862,181	226,271
Judicial	984,869	967,869	916,863	51,006
Public Safety	4,638,083	4,564,083	4,285,922	278,161
Public Works	1,371,728	857,678	637,073	220,605
Health and Welfare	281,715	252,165	206,481	45,684
Culture and Recreation	726,060	719,560	641,143	78,417
Housing and Development	350,263	327,038	188,686	138,352
Debt Service				
Debt Retirement	625,000	625,000	617,957	7,043
Interest	75,000	75,000	58,692	16,308
<b>TOTAL EXPENDITURES</b>	<b>11,262,569</b>	<b>10,476,845</b>	<b>9,414,998</b>	<b>1,061,847</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(405,269)</b>	<b>(48,388)</b>	<b>512,830</b>	<b>561,218</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (To) from Other County Funds	(437,841)	(365,341)	(349,045)	16,296
Lease Proceeds	110,000			
Prior Years Reserve	733,110	413,729		(413,729)
<b>Total Other Financing Sources (Uses)</b>	<b>405,269</b>	<b>48,388</b>	<b>(349,045)</b>	<b>(397,433)</b>
<b>EXTRAORDINARY ITEMS</b>				
Gain on Extinguishment of Debt			199,167	199,167
<b>NET CHANGE IN FUND BALANCE</b>			<b>362,952</b>	<b>362,952</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>9,346,751</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 9,709,703</b>	

**Note to the Budgetary Comparison Schedule**

1. The budgetary basis of accounting used in this schedule is the same as GAAP.

## OTHER SUPPLEMENTARY INFORMATION

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 15 – HOTEL MOTEL TAX**

The County collects a 5% hotel-motel tax and is required to spend 40% of this for promoting tourism, conventions and trade shows. Below is a summary of collections and expenditures.

	<u>Amount</u>	<u>Percent</u>
Collections	\$ 285,558	100%
Tourism Promotion	113,792	40%

**NOTE 16 –DEFICIT EQUITY BALANCES**

The Family Connections Fund has a deficit fund balance of \$10,409 which is expected to be eliminated in the next few years.

The E-911 Special Revenue fund has a deficit fund balance of \$1,974,566. This is due to management's decision to show the transfers to E-911 from Special Revenue as an Interfund liability rather than an operating transfer.

**BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 13 - RISK FINANCING ACTIVITIES**

Material estimates have been made by management about the historical cost of fixed assets and the life of depreciated fixed assets. Management has used a conservative approach on these estimates.

The County is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has joined together with other counties in the state as part of the Interlocal Risk Management Agency (IRMA) for property and liability insurance and the ACCG-Group Self-Insurance Worker's Compensation Fund (WCSIF), public entity risk pools currently operating as common risk management and insurance programs for member local governments. The Association County Commissioners of Georgia (ACCG) administers both risk pools.

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly 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 pools' 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 governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost 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.

Settled claims in the past three years have not exceeded the coverages.

Management estimates liabilities for unpaid claims based on the probability of losses exceeding the occurrence limits and the reasonableness of estimating these losses. At June 30, 2010 the County has no losses that are probable or estimable and accordingly has not recognized any liability.

**NOTE 14- GEORGIA MOUNTAIN REGIONAL DEVELOPMENT CENTER**

Banks County, in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County Board members and municipal Board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a County. Separate financial statements can be obtained from:

Georgia Mountains Regional Development Center  
PO Box 2534  
Gainesville, Georgia 30503

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources. (O.C.G.A. 50-8-39.1)

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 11 – (Continued)**

**Effect of plan changes on the actuarial accrued liability of any current-year changes in assumption or benefit provisions is:**

The plan provision valued and the actuarial assumptions are the same as those used in the preceding valuation.

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

The plan provisions valued and the actuarial assumptions and cost methods are the same as those used to determine the contribution requirement for the preceding year.

***DEFINED BENEFIT PENSION PLAN***

Effective October 14, 1997, the County, by resolution, adopted the ACCG Defined Contribution Money Purchase Plan, which operates in conjunction with the Deferred Compensation Plan. There is no waiting period for employees to participate. The County adopted a graduated vesting system, as follows: 1-2 years of service, employees are not vested; after 3 years of service, employees are 50% vested; after 4 years of service, employees are 75% vested; and after 5 years of service, employees are 100% vested. The County contributes 3% of salary as a base contribution for employees. In addition, the County will match 50% of employee voluntary contributions up to 6% of salary. The County may change the contribution requirements by resolution.

The employee contributions for 2009 were \$16,628 and the County base and matching contribution totaled \$88,615.

***DEFERRED COMPENSATION PLAN***

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employee, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the County and are not reported in these financial statements.

**NOTE 12– CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts collected, may constitute a liability of the applicable funds. The amount, if any which may be disallowed by the grantor cannot be determined at this time although the government expects such amount, if any, to be immaterial.



BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 11 – (Continued)**

Banks County Retirement Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The County's total payroll for the year ending December 31, 2009 was \$ 3,998,342. Total covered payroll was \$347,973. The County's required contribution to the plan for the year ending December 31, 2008 was \$17,806.

Retirees, Beneficiaries and Disables receiving benefits	10
Terminated plan participants entitled to but Not yet receiving benefits	24
Active employees participating in the Plan	<u>11</u>
Total Number of Participants	45
Covered compensation for active participants	\$ 347,973

**Trend Information for  
The Banks County Retirement Plan**

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Beginning</u>			
01-01-09	\$ 17,811	n/a	(\$754)
01-01-08	10,671	100.0%	(757)
01-01-07	15,080	100.0%	(760)
01-01-06	16,594	101.1%	(572)
01-01-05	17,846	100.0%	(575)
01-01-04	13,397	100.0%	(578)

**Required Supplementary Information for  
The Banks County Retirement Plan  
Analysis of Funding Progress**

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Funded Ratio (a/b)	Unfunded AAL (UALL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Ending</u>	<u>(a)</u>	<u>(b)</u>				
12-31-08	\$693,428	\$761,788	91.0%	\$68,360	\$315,498	21.7%
12-31-07	\$759,019	\$746,491	101.7%	(\$12,528)	\$372,539	-3.4%
12-31-06	\$733,060	\$716,566	101.9%	(\$13,494)	\$367,082	-3.7%
12-31-05	689,518	718,142	96.0%	28,624	357,759	8.0%
12-31-04	659,493	677,539	97.3%	18,046	380,680	4.7%
12-31-03	671,643	669,439	100.3%	(2,204)	376,171	(0.6%)

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 11 – (Continued)**

Plan assets do not include any loans, notes, bonds or other instruments or securities of the County or related parties.

The amount shown below as the “actuarial accrued liability” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going concern basis, and assess progress made in accumulating sufficient assets to pay benefits when due. The measure is the actuarial value of credited projected benefits and is independent of the funding method used to determine contributions to the plan.

The actuarial cost method used for this report is known as the Aggregate method. This measures past service liabilities as the actuarial present value of benefits accrued for service up to the valuation date, but based on salaries projected to the date of assumed retirement from the plan. The current year accrual is based on benefits accrued for the year of service beginning on the valuation date, but based on salaries projected to the date of assumed retirement from the plan.

**Banks County Retirement Plan (Defined Benefit Plan)**

Effective October 31, 1997, Banks County froze future accruals under the defined benefit plan. However, an employee who retires from Banks County during the ten year period immediately following the effective date of this plan change, has the option to receive their accruals after the date of the plan freeze had the plan not been frozen. A participant who retires and chooses to receive accruals after the date of the plan freeze shall forfeit their accrual balance from the newly implemented defined contribution plan.

**RECOMMENDED CONTRIBUTIONS**

County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan, using the actuarial basis in the annual valuation report. The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish and amend from time to time, the contribution rates for the employer and its plan members.

The ACCG Plan Trustees have adopted an actuarial funding policy for determination of annual contributions and the systematic funding of liabilities arising under the plan. The required contribution was determined as part of the January 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0 % investment rate of return and (b) projected salary increases of 5.5%. Both (a) and (b) included an inflation component of 3.0%. The assets actually lost 20% of their value which would have led to an investment experience loss exceeding 28% of plan assets. However, the Board of Trustees changed the method for determining plan assets for valuation purposes to a smoothed asset value which mitigated a significant portion of the adverse investment experience. In spite of the change in asset valuation method, the investment experienced loss caused the actuarial value of the plan assets to decrease below the value of the actuarial liabilities. As a result, a new amortization base was established to “pay down” the unfunded liability. The net result of the asset experience loss, modest liability loss and change in amortization period was an increase in the plan cost of 2.5 % of payroll.

The actuarial value of The Banks County Retirement Plan’s assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four year period. The

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 10 – (Continued)

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2010:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 374,332.30	\$ 7,699.70	\$ 382,032.00
	\$ 374,332.30	\$ 7,699.70	\$ 382,032.00

NOTE 11 - EMPLOYEE RETIREMENT PLANS

**DEFINED BENEFIT PENSION PLAN**

PLAN DESCRIPTION

The County contributes to the Association of County Commissioners of Georgia (ACCG) Defined Benefit Plan (Plan), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia. The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time, the contribution rates for the County and its plan participants. The Plan issues a stand-alone report. This report may be obtained from: Pension Service Company, 1100 Circle 75 Parkway, Suite 300, Atlanta, Georgia 30339.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of an adoption agreement adopted by resolution of the County Board of Commissioners, is affiliated with the Association of County Commissioners of Georgia Second Restated Defined Benefit Plan (The ACCG Plan, and 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 19.03 of The ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of the ACCG Plan document.

The County's covered payroll for employees participating in the Plan as of January 1, 2009 (the most recent actuarial valuation date) was \$347,973 ( based on covered earnings of preceding year).

Before January 1, 1998, all full-time County employees were eligible to participate in the Plan after completing three years of service. No employees can become participants after January 1, 1998. Benefits are fully vested after five years of service. Participants become eligible to retire at age 65 with 3 years of participation in the Plan, but not beyond age 70. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.00% of average compensation up to \$6,600 plus 1.50% of average compensation in excess of \$6,600 plus \$36.00 for each year of credited service payable as a life annuity. Service is limited to 35 years.

Compensation is averaged over a five-year period prior to retirement or termination. The Plan also provides benefits in the event of death or disability. These benefit provisions were established by an adoption agreement executed by the County Board of Commissioners.

The Plan's financial statements are prepared on an accrual basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in the cash value of pre-retirement life insurance policies owned by the trust.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 10 – (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010 were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2010	432,207.44
2011	
2012	
2013	
2014	
2015-2019	
2020-2024	
2025-2029	
Total Minimum Lease Payments	432,207.44
Less: amount representing interest	<u>10,534.02</u>
Present value of minimum lease payments	<u>\$ 421,673.42</u>

Government Capital Corporation.

On September 12, 2006 the County entered into a Capital Lease with Government Capital Corporation for the acquisition of an E-911 Telephone System and Consoles for the E-911 Center. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was \$ 214,734. The lease calls for five annual payments of \$50,759.15 on June 1. This lease has interest rate of 5.99% per annum. The asset is recorded in the General Fund.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2010:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>47,341.12</u>	\$ <u>2,834.32</u>	\$ <u>50,175.44</u>
	\$ <u>47,341.12</u>	\$ <u>2,834.32</u>	\$ <u>50,175.44</u>

Caterpillar Financing.

On July 20, 2006 the County entered into a Capital Lease with Caterpillar Financial Corporation for the acquisition of two 140H Motor Graders, one 420E Backhoe Loader, One 930G Wheel Loader, One 303C-CR Mini Hydraulic Excavator for the Road Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was \$ 536,643. The lease calls for forty-eight monthly payments of \$6,014 and a balloon payment of \$363,990. due one month after final monthly payment beginning September 15, 2006. This lease has interest rate of 6.2731% per annum. The asset is recorded in the General Fund.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 9 – (Continued)

2021-2025	254,293.02	44,257.48	298,550.50
2026-2028	<u>278,355.79</u>	<u>15,303.28</u>	<u>293,659.07</u>
	\$ <u>965,814.34</u>	\$ <u>223,496.03</u>	\$ <u>1,189,310.37</u>

**Notes Payable – Georgia Environmental Facilities Authority**

To finance the construction of Sewer Improvements. Total amount of loan approved was \$1,070,600. This loan was completed January 23, 2004 leaving \$409,370.85 in undisbursed funds, which reverted back to GEFA. Principal and interest shall be due and payable in eighty payments of \$12,882.04 each commencing on May 1, 2004 and continuing quarterly on the first day of each third month thereafter. The note bears an interest rate of 4.78% per annum.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 27,294.28	\$ 24,233.78	\$ 51,528.06
2012	28,622.62	22,905.54	51,528.16
2013	30,015.50	21,512.66	51,528.16
2014	31,476.17	20,051.99	51,528.16
2015	33,007.93	18,520.23	51,528.16
2016-2020	190,755.49	66,885.39	257,641.88
2020-2024	<u>175,944.91</u>	<u>17,286.38</u>	<u>193,231.29</u>
	\$ <u>517,116.90</u>	\$ <u>191,395.97</u>	\$ <u>708,512.87</u>

**Notes Payable – Georgia Environmental Facilities Authority**

In 2009, the County began work on a project to include construction of a 1.0 million gallon clearwell, a finished water pumping station, finished water supply line, and appurtenant work. The project is expected to cost \$2,591,600 to complete and is being funded with the proceeds of GEFA loan DWSRF 09-015 (\$777,480) and an indirect federal capital grant through the American Recovery and Reinvestment Act of 2009 (\$1,814,120).

Fiscal year 2010 expenditures on the project totaled \$1,057,385, GEFA Loan (\$317,216) and American Recovery and Reinvestment Act capital grant (\$740,169).

These expenditures are recorded as assets in the Public Utilities Fund. This note has not gone into permanent financing as of the fiscal year ended.

NOTE 10 – LEASES

**Capital Leases**

The County has entered into certain capital lease agreements under which the related equipment will become the property of the County when all terms of the lease agreement are met.

Equipment and related accumulated depreciation under capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 1,363,218
Less: Accumulated Depreciation	<u>(815,860)</u>
Net Value	\$ <u>547,358</u>

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 9 – (Continued)

The annual requirements to amortize this contract payable as of June 30, 2009 are as follows:

<u>Year End</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,025,000.00	\$ 247,125.00	\$ 2,272,125.00
2012	2,100,000.00	150,750.00	2,250,750.00
2013	<u>2,175,000.00</u>	<u>50,625.00</u>	<u>2,225,625.00</u>
	<u>\$ 6,300,000.00</u>	<u>\$ 448,500.00</u>	<u>\$ 6,748,500.00</u>

**Business Type Activities:**

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Long Term					
Notes Payable	\$ <u>3,482,231.84</u>	<u>\$ 343,973.29</u>	<u>\$ 112,930.16</u>	<u>\$ 3,713,274.97</u>	<u>\$ 153,573.83</u>

**Notes Payable – Georgia Environmental Facilities Authority**

To finance the waterline extension and water tanks on Yonah Homer Road as well as phase II of the sewage expansion and spray fields located off McDonald Circle. Total amount of loan approved was \$2,394,686.80. This loan was completed June 13, 2008 and went into permanent financing. Principal and interest shall be due and payable in two hundred and forty payments of \$14,410.58 each commencing on July 1, 2008 and continuing monthly on the first day of each month thereafter. The note bears an interest rate of 3.92% per annum.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 87,045.04	\$ 85,881.92	\$ 172,926.96
2012	90,386.36	82,540.60	172,926.96
2013	94,257.50	78,669.46	172,926.96
2014	97,888.66	75,038.70	172,927.36
2015	101,795.61	71,131.35	172,927.36
2016-2020	573,176.00	291,458.80	864,634.80
2021-2025	697,227.57	167,407.23	864,634.80
2026-2028	<u>488,566.99</u>	<u>30,101.30</u>	<u>518,668.29</u>
	<u>\$ 2,230,343.73</u>	<u>\$ 882,229.36</u>	<u>\$ 3,112,573.09</u>

**Notes Payable – Georgia Environmental Facilities Authority**

To finance the waterline extension. Total amount of loan was \$969,012.51. This loan was completed May 1, 2010 and went into permanent financing. Principal and interest shall be due and payable in two hundred and forty payments of \$4,975.84 each commencing on June 1, 2010 and continuing monthly on the first day of each month thereafter. The note bears an interest rate of 2.16% per annum.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 39,234.41	\$ 20,475.67	\$ 59,710.08
2012	40,058.84	19,651.24	59,710.08
2013	40,994.91	18,715.17	59,710.08
2014	41,858.47	17,851.61	59,710.08
2015	42,771.61	16,938.47	59,710.08
2016-2020	228,247.29	70,303.11	298,550.40

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 9 – (Continued)

All long-term obligations of the County's governmental funds are financed through future General Fund expendable available financial resources as they become due. The compensated absences liability has been paid from the fund from the general fund.

**General Obligation Bonds –**

The Government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both their general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

**Banks –Jackson-Commerce Hospital Bonds**

On July 1, 1978, Banks County entered into a contract with Jackson County and Banks-Jackson-Commerce Hospital Authority to fund repayment of an issue of \$2,580,000 of Series 1978 Banks-Jackson-Commerce Hospital Authority Revenue Anticipation Certificates, which mature April 1, 2008, bear interest at rates from 6.2% to 6.75%. The contract states that Banks County is to make payments to the Banks-Jackson-Commerce Hospital Authority Sinking fund in amounts equal to 25% of the principal and interest of the Series 1978 Certificates.

These Certificates were refunded in October of 2003, along with series 1988 Banks-Jackson-Commerce Hospital Authority Revenue Anticipation Certificates, with the issuance of Series 2003 A and 2003 B Banks-Jackson-Commerce Hospital Authority Revenue Anticipation Certificates in the amount of \$2,250,000. The contract related to these Certificates states that Banks County is to make payment to the Banks-Jackson-Commerce Hospital Authority Sinking Fund in amounts equal to 25 % of the principal and interest.

During the year, the Hospital Authority sold its assets to a private party who will recruit and operate the hospital. As part of this transaction, the 2003 Certificates were paid off.

**Banks County General Obligation Bonds, Series 2006**

On June 13, 2006, the Banks County Commissioners issued General Obligation bonds in the amount of \$12,000,000. Pursuant to a resolution adopted by the Commissioners and an election by the citizens of Banks County to impose a one percent sales and use tax for the purpose of (1) acquiring, constructing and equipping a Banks County Administration building, (2) renovating and equipping the Banks County Courthouse, (3) Constructing, installing and equipping wastewater facilities and sewer lines, (4) renovating recreation facilities and acquiring recreation equipment, improving and constructing roads and bridges, (5) improving and constructing roads and bridges, (6) constructing, installing and equipping a water reservoir, water lines and facilities and retiring general obligation debt of Banks County incurred for the Thompson Street road Project. The proceeds will also be used to fund capital projects for the cities of Homer, Lula, Maysville, Baldwin, and Alto.

These bonds, which mature in 2012, bear interest rates from 4.25 % to 5.00% percent. The bonds are payable semi-annually on June 1 and December 1 in each year beginning with an interest payment on June 1.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 8 – (Continued)

**Discretely Presented Component Units:**

**Banks County Industrial Building Authority** – Activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 07/01/09		Additions		Deletions		Balance 06/30/10
Recreation Building	\$ 1,499,260	\$		\$		\$	1,499,260
Less Accumulated Depreciation	<u>(149,928)</u>		<u>(37,482)</u>				<u>(187,410)</u>
Net Depreciable Assets	<u>\$ 1,349,332</u>	\$	<u>(37,482)</u>	\$		\$	<u>1,311,850</u>

**Banks County Health Department** – Activity for the year ended June 30, 2010 was as follows:

	Balance 07/01/09		Additions		Deletions		Balance 06/30/10
Equipment	\$ 7,167	\$		\$		\$	7,167
Less Accumulated Depreciation	<u>(6,749)</u>		<u>(418)</u>				<u>(7,167)</u>
Net Depreciable Assets	<u>\$ 418</u>	\$	<u>(418)</u>	\$		\$	<u></u>

In the governmental and business-type activities, the following estimated useful lives are used to compute depreciation using the straight-line method:

General Government Buildings	40	Years
Water and Sewer System	50	Years
Utility Plant	50	Years
Machinery and Equipment	5-20	Years

NOTE 9 - LONG-TERM DEBT

The following is a summary of Long-Term Debt transactions of the County for the year ended June 30, 2010:

**Governmental Activities:**

	Beginning Balance		Additions		Payments		Ending Balance		Due Within One Year
Bonds Payable	\$ 8,632,500.00	\$		\$	2,332,500.00	\$	6,300,000.00	\$	2,025,000.00
Obligation Under Capital Leases	<u>667,130.20</u>				<u>245,456.88</u>		<u>421,673.32</u>		<u>421,673.31</u>
	<u>\$ 9,299,630.20</u>	\$	<u></u>	\$	<u>2,577,956.88</u>	\$	<u>6,721,673.32</u>	\$	<u>2,446,673.31</u>



BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 8 – (Continued)

Jail	3,741,174			3,741,174
Recreation	229,194			229,194
Total Depreciable Assets	<u>25,714,021</u>		<u>42,311</u>	<u>25,671,710</u>
Less: Accumulated Depreciation				
Building	(1,709,652)	(225,644)		(1,935,296)
Furniture & Equipment	(192,317)	(27,013)		(219,330)
Fire Equipment	(2,246,641)	(329,653)	42,311	(2,533,983)
Machinery & Equipment	(3,224,310)	(267,007)		(3,491,317)
Jail	(133,516)	(22,327)		(155,843)
Recreation	(20,802)	(3,756)		(24,558)
Total Accumulated Depreciation	<u>(7,527,238)</u>	<u>(875,400)</u>	<u>42,311</u>	<u>(8,360,327)</u>
Net Depreciable Assets	<u>18,186,783</u>	<u>(875,400)</u>		<u>17,311,383</u>
Governmental activities assets, net	<u>\$ 18,312,158</u>	<u>\$ (875,400)</u>	<u>\$</u>	<u>\$ 17,436,758</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 557,933
Recreation	26,262
Public Safety	291,205
Total	<u>\$ 875,400</u>

**Business-Type Activities:**

	Balance 07/01/09	Additions	Deletions	Balance 06/30/10
<b>Capital Assets Not being Depreciated</b>				
Land	\$ 1,337,939	\$	\$	\$ 1,337,939
<b>Depreciable Assets</b>				
Plant	\$ 30,646,746	\$ 1,366,744	\$	\$ 32,013,490
Furniture & Equipment	229,093		96,251	132,842
Road	175,069			175,069
Dam	3,878,261			3,878,261
Vehicles	168,655		91,456	77,199
Total Depreciable Assets	<u>35,097,824</u>	<u>1,366,744</u>	<u>187,707</u>	<u>36,276,861</u>
Less: Accumulated Depreciation				
Plant	(6,637,708)	(707,312)	187,707	(7,157,313)
Furniture & Equipment	(62,946)	(6,181)		(69,127)
Road	(48,105)	(4,724)		(52,829)
Dam	(1,065,597)	(104,638)		(1,170,235)
Vehicles	(46,339)	(4,550)		(50,889)
Total Accumulated Depreciation	<u>(7,860,695)</u>	<u>(827,405)</u>	<u>187,707</u>	<u>(8,500,393)</u>
Net Depreciable Assets	<u>27,237,129</u>	<u>539,339</u>		<u>27,776,468</u>
Business -Type activities assets; net	<u>\$ 28,575,068</u>	<u>\$ 539,339</u>	<u>\$</u>	<u>\$ 29,114,407</u>

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 7 – (Continued)

INTERFUND TRANSFERS

	<u>Major Funds</u>				<u>Nonmajor Funds</u>		
	<u>General</u>	<u>E-911</u>	<u>2006 SPLOST</u>	<u>Capital Fund</u>	<u>Proprietary</u>	<u>Governmental</u>	<u>Combined</u>
Transfer Out To:							
<b>Major Funds</b>							
General	\$	\$	\$	\$	(7,029)	\$	\$ (7,029)
E-911							
2006 SPLOST							
Capital Fund	(500,000)		(74,726)				(574,726)
Proprietary	(127,841)						(127,841)
<b>Nonmajor Funds</b>							
Governmental						(271,767)	(271,767)
Transfers in from:							
<b>Major Funds</b>							
General				500,000	127,841		627,841
2006 SPLOST				74,726			74,726
Capital Fund							
Proprietary	7,029						7,029
<b>Nonmajor Funds</b>							
Governmental	271,767						271,767
Total	<u>\$(349,045)</u>	<u>\$</u>	<u>\$( 74,726)</u>	<u>\$574,726</u>	<u>\$ 120,812</u>	<u>\$(271,767)</u>	<u>\$</u>

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires them to the fund that statute or budget requires to expend them, and 2) use restricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are eliminated in the government –wide financial statements if the interfund transfer is within the governmental fund group or business-type group.

NOTE 8 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

**Primary Government:**

	<u>Balance</u> <u>07/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/10</u>
<b>Capital Assets Not being</b>				
<b>Depreciated</b>				
Land	\$ 125,375	\$	\$	\$ 125,375
<b>Depreciable Assets</b>				
Building	\$ 12,997,882	\$	\$	\$ 12,997,882
Furniture & Equipment	1,048,857			1,048,857
Fire Equipment	3,169,187			3,169,187
Machinery & Equipment	4,527,727		42,311	4,485,416

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 6 - RECEIVABLES

Receivables at June 30, 2010 consisted of the following:

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:			
Taxes	\$ 1,697,629	\$	\$ 1,697,629
Accounts	<u>1,049,409</u>	<u>59,747</u>	<u>1,109,156</u>
Total Receivables	\$ <u>2,747,038</u>	\$ <u>59,747</u>	\$ <u>2,806,785</u>

The delinquent taxes receivable account represents uncollected tax levies. No allowance for uncollectible taxes has been provided as delinquent taxes are considered fully collectible.

Property taxes are assessed as of January 1, 2010 on property values. Taxes were levied on July 1, 2010 for the 2010 tax year, and were due on September 16, 2010. All unpaid taxes levied on July 1, 2010 become delinquent as of September 17, 2010. Interest and penalties accrue after September 17, 2010.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within 60 days after year end.

Due to the high collection rate in the Enterprise Fund, no allowance has been made for bad debts.

NOTE 7 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2010, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Utilities	86,592
General Fund	E-911 Fund	<u>2,186,732</u>
Total		\$ <u>2,273,324</u>

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 2 – (Continued)

pool distributes earnings (net of management fees) on a monthly basis and determines the participants shares sold and redeemed based on \$1.00 per share. Georgia Fund 1 is managed by the Georgia Office of Treasury and Financial Services. The investment policies of Georgia Fund 1 are established by the Georgia State Depository Board.

The Georgia Fund 1 is rated AAAM by Standards and Poor's. The weighted average maturity at June 30, 2010 was 46 days. At June 30, 2010, the County's balance in Georgia Fund 1 was \$1,731.

**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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

On or before the end of May of each year, all agencies of the County submit requests for appropriation to the County's Management so that a budget may be prepared. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

Before June 30<sup>th</sup> the Proposed Budget is presented to the County's Commissioners for review. The County Commissioners hold public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the County's Management. The revenue estimates must be changed by an affirmative vote of a majority of the County Commissioners. The budget was amended during the year, and there were no budget overages to report.

NOTE 4 – DEPOSITS

At June 30, 2010 the carrying amount of the County's deposits was \$16,596,176 and the bank balance was \$ 17,151,662. All bank balances of deposits as of June 30, 2010 are entirely insured or collateralized with securities held by the County's agent in the County's name.

NOTE 5 – RESTRICTED CASH

Primary Government

The County's restricted cash in the Governmental Activities on June 30, 2010 consisted of the following:

SPLOST	\$ 4,026,746
Capital Projects Fund	<u>1,810,575</u>
Total Restricted Cash	<u>\$ 5,837,321</u>

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 1 – (Continued)**

Interfund transactions are either, loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriated and are subject to elimination upon consolidation. Services, deemed to be reasonably equivalent in value, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are presented as transfers. Transfers within governmental activities and within business-type activities are eliminated upon consolidation.

**O. Internal Activity**

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**P. Estimates**

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSIT AND INVESTMENT RISK**

**Custodial Risk - Deposits**

Custodial 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.

**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, 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.

The County participates in the State of Georgia Local Government Investment Pool (Georgia Fund 1). Assets in this pool are invested in the Georgia Fund 1, created by OCGA 36-83-8, which is a stable net asset investment pool that follows Standard and Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company.

The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The

**BANKS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – (Continued)**

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Infrastructure (roads, bridges and traffic lights) are not recorded in the County's financial statements.

**J. Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused vacation. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability of the government fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long term liabilities.

**K. Long-Term Obligations**

The County reports long-term debt of governmental activities at face value in the Government-wide Statement of Net Assets. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in both the Government-wide and fund financial statements.

**M. Fund Equity/Net Assets**

In the Government-wide Financial Statements, net assets are classified in the following categories:

**Invested in Capital Assets, Net of Related Debt** – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

**Restricted Net Assets** – This category presents internal restrictions imposed by the County Commissioners.

**Unrestricted Net Assets** – This category represents the net assets of the County, which are not restricted for any project of other purpose.

**N. Interfund Activity**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 – (Continued)

**E. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits, certificates of deposit and money market accounts. State statutes authorize the County to invest only in obligations of the United States and of its agencies and instrumentality's, or bonds or certificates of indebtedness of the State of Georgia and of its agencies and instrumentality's, or certificates of deposit of banks which have deposits insured by the FDIC with any uninsured amounts collateralized by direct obligations of the United States or State of Georgia.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**F. Receivables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to /from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**G. Inventories and Prepaid Items**

The cost of supplies is recorded as expenditure at the time the individual items are purchased. The amount of inventory on hand is insignificant and therefore not recorded. Certain amounts for insurance reflecting costs applicable to future accounting periods are recorded as prepaid items.

**H. Restricted Assets**

Certain tax proceeds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable covenants. The "Special Purpose Local Option Sales Tax" account is used to account for the activities of the County's SPLOST collections and expenditures. The "Capital Projects Fund" account is set up to accumulate funds for the future capital outlay projects of the County. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

**I. Capital Assets**

Capital outlays are recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent that the County's capitalization threshold is met. The County capitalizes asset purchases valued at \$5,000 or more. Depreciation is recorded on general fixed assets on a government-wide basis. Capital outlays of the Proprietary Fund are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 – (Continued)

The *2006 SPLOST Capital Projects Fund* accounts for funds received from a special local 1% sales tax reserved for construction and various capital projects.

The *Capital Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The government reports the following major proprietary funds:

The *Water and Sewer enterprise funds* accounts for the revenues and expenses related to operating and maintaining a water utility system consisting of a water supply and filtration system with storage and transmission capabilities to residents in Banks County. This fund also accounts for the revenue and expenses related to operating and maintaining a sewer utility system.

Additionally, the government reports the following fund types:

**Governmental Fund Types**

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

**Fiduciary Fund Types**

The *Agency Funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are presented using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the County holds for others in an agency capacity.

**D. - Budgets and Budgetary Accounting**

The County Commission annually adopts budgets for the General Fund of the Primary Government. All appropriations are legally controlled at the departmental level for the General Fund. On June 15, 2005 the County Commission adopted the original budget. There were no budget amendments made during the year. The budgets are integrated into the accounting system, and the budgetary, as presented in financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditures are recorded to reserve that portion of the applicable appropriation - is not utilized by the Banks County Commissioners.



BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 1 – (Continued)**

term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in assets. Under 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. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain eliminations have been made as prescribed by GASB No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included in the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales tax, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the the government also are recognized as revenue. The County considers property taxes as available in the period for which they are levied if they are collected within 60 days subsequent to year-end. A 60 day availability period is also used for recognition for all other governmental fund revenue.

The government reports the following major governmental funds:

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

The *E-911 Special Revenue Fund* accounts for the operations of the County E-911 Department.

The *2001 SPLOST Capital Projects Fund* accounts for funds received from a special local 1% sales tax reserved for construction and various capital projects.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE 1 – (Continued)

not able to impose its will upon the Housing Authority and a financial benefit/burden relationship does not exist between them. Therefore, based upon the criteria above, The Housing Authority of Banks County, Georgia is a related organization.

Excluded for the reporting entity:

BANKS COUNTY BOARD OF EDUCATION AND BANKS-JACKSON-COMMERCE HOSPITAL. These potential component units have separately elected boards and provide services to residents, generally within the geographical boundaries of the government. These potential component units are excluded from the reporting entity because the government does not have the ability to exercise influence over their daily operations, approve budgets or provide funding.

**B. Government-wide and Fund Financial Statements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 34. This statement establishes new financial reporting requirements for state and local governments throughout the United States. Its implementation creates new information and restructures much of the information that governments have presented in the past. The GASB's intent is to make annual reports more comprehensive and easier to understand.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The County's government-wide financial statement includes a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type activities for the County. Fiduciary activities of the County are not included in these statements.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Accordingly, all of the County's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Narrative Profile**

The financial statements of The Banks County Commissioners have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, the County has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for proprietary funds.

The more significant of the County's accounting policies are described below.

**A. Financial Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the County's reporting entity, as set forth in section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is a fiscal dependency by the organization on the County

Based on the aforementioned criteria, Banks County has two component units.

**Component Units**

**Banks County Industrial Building Authority** - The Banks County Industrial Building Authority was created in 1973. The Banks County Industrial Building Authority consists of the chairman of the Banks County Commissioners, the Mayor of Homer as Ex-Officio, as well as three members appointed by the Banks County Commissioners. The Authority serves as a financial conduit for debt issued to construct the recreation building. This Authority is reported as a component unit. Separate financial statements are not prepared for this component unit.

**Banks County Health Department** - The Health Department provides health services to all citizens of Banks County. These services are offered free or at a nominal charge depending on the person's ability to pay. The County is responsible for a shared portion of the Health Department's annual operating budget. The County is also responsible for continuing the operation of the Health Department in the event of its failure.

Complete financial statements of this component unit may be obtained at the entity's administrative offices.

Banks County Health Department  
Homer, Georgia 30547

**Related organizations:**

The Housing Authority of Banks County, Georgia is considered a related organization based upon the criteria in GASB Statement 14. The Housing authority is a legally separate entity having a board composed of members appointed originally by the Banks County Commissioners. The Banks County Commissioners are

**BANKS COUNTY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2010**

**EXHIBIT 8**

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash	\$ <u>1,530,095</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>1,530,095</u></u></b>
 <b>LIABILITIES</b>	
Due to Other Governments	\$ 1,075,947
Unsettled Escrow	<u>454,148</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,530,095</u></b>

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXHIBIT 7

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 1,348,959
Payments to Suppliers	(756,130)
Payments to Employees	(426,736)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>166,093</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Taxes	125,835
Transfer( to) from other funds	120,812
<b>NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>246,647</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and Construction of Capital Assets	(1,366,744)
Proceeds from Debt	661,189
Capital Contributions	740,169
Principal Paid on Notes Payable	(112,930)
Interest Paid On Notes Payable	(116,501)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(194,817)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Earned	69,830
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>69,830</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	287,753
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>3,352,060</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 3,639,813</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
Operating Income (Loss)	\$ (604,476)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities	
Depreciation	827,405
Changes in Assets and Liabilities	
(Decrease) in Deposits	9,936
Increase in Accounts Payable	(36,798)
(Increase) Decrease in Prepaid Items	(25,916)
(Increase) Decrease in Taxes Receivable	14,594
(Increase) Decrease in Accounts Receivable	(18,652)
<b>TOTAL ADJUSTMENTS</b>	<u>827,405</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 166,093</u></u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXHIBIT 6

	PUBLIC UTILITIES FUND
OPERATING REVENUES	
Charges for Service	\$ 1,348,959
TOTAL OPERATING REVENUES	<u>1,348,959</u>
OPERATING EXPENSES	
Salaries	426,736
Water Purchased	74,232
Payroll Tax	42,786
Office	21,878
Insurance	56,290
Testing	85,569
Engineering Services	85,568
Utilities	146,751
Vehicle Expense	54,953
Supplies	20,839
Repairs & Maintenance	84,374
Depreciation	827,405
Retirement	12,628
Telephone	12,354
Uniforms	1,072
TOTAL OPERATING EXPENSES	<u>1,953,435</u>
OPERATING INCOME	<u>-604,476</u>
NON-OPERATING REVENUES (EXPENSE)	
Taxes	125,835
Interest Income	69,830
Interest Expense	-116,501
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>79,164</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	-525,312
TRANSFERS AND CONTRIBUTIONS	
Transfers In	127,841
Transfers Out	-7,029
Capital Contributions	740,169
TOTAL TRANSFERS AND CONTRIBUTIONS	<u>860,981</u>
NET INCOME (LOSS)	335,669
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>28,256,468</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 28,592,137</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

EXHIBIT 5

BUSINESS-TYPE ACTIVITIES

PUBLIC UTILITIES  
FUND

ASSETS

Current Assets:

Cash	\$ 3,639,813
Accounts Receivable	59,747
Prepaid Items	49,345
Total Current Assets	<u>3,748,905</u>

Non-current Assets:

Capital Assets

Water Plant and Distribution System	32,013,489
Equipment	132,842
Dam	3,878,261
Land	1,337,940
Road	175,069
Vehicle	77,196
Accumulated Depreciation	<u>(8,500,396)</u>
Total Non-current Assets	<u>29,114,401</u>

TOTAL ASSETS

\$ 32,863,306

LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts Payable	\$ 75,000
Due to General Fund	86,592
Water Meter Deposits	79,086
Short Term Financing	317,216
Long-Term Notes Payable - Current Portion	<u>1,080,154</u>
Total Current Liabilities	<u>1,638,048</u>

Non-current Liabilities

Long-term Notes Payable	<u>2,633,121</u>
Total Non-current Liabilities	<u>2,633,121</u>

TOTAL LIABILITIES

4,271,169

NET ASSETS

Invested in Capital Assets, Net of Related Debt	25,083,910
Unrestricted Assets	<u>3,508,227</u>
TOTAL NET ASSETS	<u>28,592,137</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 32,863,306

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Adjustments to the Statement of Activities

Net Change In Fund Balance

\$ 704,474

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which Depreciation (\$875,400) exceeded Capital Outlay (\$ 0).

(875,400)

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 deferred revenue.

282,187

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

2,577,957

Change in Net Assets of Governmental Activities (Exhibit 2)

\$ 2,689,218

The accompanying notes are an integral part of these financial statements.



BANKS COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXHIBIT 4

REVENUES	GENERAL FUND	E-911 FUND	2001 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
Taxes							
Property Tax	\$ 4,616,566	\$	\$	\$	\$	\$	\$ 4,616,566
Local Option Sales Tax	2,450,814						2,450,814
Special Purpose Local Option Sales Tax				2,971,030			2,971,030
Beverage	211,356						211,356
Other	637,755					285,558	923,313
License and Permits	100,891						100,891
Fines & Forfeitures	590,578						590,578
Grants						57,350	57,350
Local Matching						9,235	9,235
Fees	1,260,304	257,956				195,735	1,713,995
Interest	45,388	117	12,151	7,089	27,164	110	92,019
Other	14,176			123,941			138,117
TOTAL REVENUES	<u>9,927,828</u>	<u>258,073</u>	<u>12,151</u>	<u>3,102,060</u>	<u>27,164</u>	<u>547,988</u>	<u>13,875,264</u>
EXPENDITURES							
Current:							
General Government	1,862,181				10,462	5,748	1,878,391
Judicial	916,863						916,863
Public Safety	4,285,922	761,784			5,261	209,440	5,262,407
Public Works	637,073						637,073
Health and Welfare	206,481						206,481
Culture and Recreation	641,143						641,143
Housing and Development	188,686						188,686
Law Library						13,122	13,122
Family Connections						46,662	46,662
Transportation						17,270	17,270
Tourism and Promotion						113,792	113,792
Debt Service							
Principal Retirement	617,957			1,960,000			2,577,957
Interest	58,692			338,200			396,892
Capital Expenditures			25,756	256,296	70,356		352,408
TOTAL EXPENDITURES	<u>9,414,998</u>	<u>761,784</u>	<u>25,756</u>	<u>2,554,496</u>	<u>86,079</u>	<u>406,034</u>	<u>13,249,147</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>512,830</u>	<u>(503,711)</u>	<u>(13,605)</u>	<u>547,564</u>	<u>(58,915)</u>	<u>141,955</u>	<u>626,118</u>
OTHER FINANCING SOURCES (USES)							
Transfers from Other County Funds	278,796				574,726	(271,766)	581,756
Transfers (to) Other County Funds	(627,841)			(74,726)			(702,567)
Total Other Financing Sources (Uses)	<u>(349,045)</u>			<u>(74,726)</u>	<u>574,726</u>	<u>(271,766)</u>	<u>(120,811)</u>
EXTRAORDINARY ITEMS							
Gain on Extinguishment of Debt	199,167						199,167
NET CHANGE IN FUND BALANCE	<u>362,952</u>	<u>(503,711)</u>	<u>(13,605)</u>	<u>472,838</u>	<u>515,811</u>	<u>(129,811)</u>	<u>704,474</u>
FUND BALANCE - BEGINNING OF YEAR	<u>9,346,751</u>	<u>(1,470,855)</u>	<u>653,840</u>	<u>3,594,863</u>	<u>1,294,764</u>	<u>303,285</u>	<u>13,722,648</u>
FUND BALANCE - END OF YEAR	<u>\$ 9,709,703</u>	<u>\$ (1,974,566)</u>	<u>\$ 640,235</u>	<u>\$ 4,067,701</u>	<u>\$ 1,810,575</u>	<u>\$ 173,474</u>	<u>\$ 14,427,122</u>

The accompanying notes are an integral part of these financial statements.

BANKS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

EXHIBIT 3

	GENERAL FUND	E-911 FUND	2001 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash	\$ 6,199,820	\$ 212,166	\$	\$	\$	\$ 186,463	\$ 6,598,449
Restricted Cash			703,586	3,323,160	1,810,575		5,837,321
Receivables							
Taxes	953,088			744,541			1,697,629
Accounts	1,049,409						1,049,409
Due From Other Funds	2,273,324						2,273,324
Prepaid Expenses	42,587						42,587
<b>TOTAL ASSETS</b>	<u>\$ 10,518,228</u>	<u>\$ 212,166</u>	<u>\$ 703,586</u>	<u>\$ 4,067,701</u>	<u>\$ 1,810,575</u>	<u>\$ 186,463</u>	<u>\$ 17,498,719</u>
<b>LIABILITIES</b>							
Accounts Payable	\$ 133,444	\$	\$	\$	\$	\$ 12,989	\$ 146,433
Accrued Payroll	153,383						153,383
Payroll Taxes Payable	78,079						78,079
Deferred Revenue - Taxes	443,619						443,619
Due to Other Funds		2,186,732					2,186,732
Due To Other Governments			63,351				63,351
<b>TOTAL LIABILITIES</b>	<u>808,525</u>	<u>2,186,732</u>	<u>63,351</u>			<u>12,989</u>	<u>3,071,597</u>
<b>FUND BALANCE</b>							
Reserved For:							
Capital Projects			640,235	4,067,701	1,810,575		6,518,511
Unreserved Reported In:							
General Fund	9,709,703						9,709,703
Special Revenue		(1,974,566)				173,474	(1,801,092)
<b>TOTAL FUND BALANCE</b>	<u>9,709,703</u>	<u>(1,974,566)</u>	<u>640,235</u>	<u>4,067,701</u>	<u>1,810,575</u>	<u>173,474</u>	<u>14,427,122</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 10,518,228</u>	<u>\$ 212,166</u>	<u>\$ 703,586</u>	<u>\$ 4,067,701</u>	<u>\$ 1,810,575</u>	<u>\$ 186,463</u>	<u>\$ 17,498,719</u>

Adjustments to the Statement of Net Assets

Fund Balance	\$ 14,427,122
Capital assets \$25,797,086, net of accumulated depreciation of (\$8,360,328) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	17,436,758
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the fund. These are deferred property taxes.	443,619
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Leases Payable	(421,673)
Bond Premium	(145,024)
General Obligation Bonds Payable	(6,300,000)
<b>Total Net Assets of Governmental Activities (Exhibit 1)</b>	<u>\$ 25,440,802</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

EXHIBIT 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Industrial Building Authority	Banks County Health Department
<b>Primary Government</b>									
Governmental Activities									
General Government	\$ 2,784,064	\$ 1,661,778	\$	\$	\$ (1,122,286)	\$	\$ (1,122,286)	\$	\$
Judicial	916,863				(916,863)		(916,863)		
Public Safety	5,552,498	592,092		161,728	(4,798,678)		(4,798,678)		
Public Works	664,518				(664,518)		(664,518)		
Health and Welfare	206,481				(206,481)		(206,481)		
Culture and Recreation	641,143	149,450			(491,693)		(491,693)		
Housing and Development	193,285				(193,285)		(193,285)		
Law Library	13,122				(13,122)		(13,122)		
Family Connections	46,662		34,511		(12,151)		(12,151)		
Transportation	17,270	3,944	6,663		(6,663)		(6,663)		
Tourism and Promotion	113,792				(113,792)		(113,792)		
Interest and Fiscal Charges	396,892				(396,892)		(396,892)		
Total Governmental Activities	<u>11,546,590</u>	<u>2,407,264</u>	<u>41,174</u>	<u>161,728</u>	<u>(8,936,424)</u>		<u>(8,936,424)</u>		
			2,610,166						
Business-type Activities			2,610,166						
Water and Sewer	<u>2,069,936</u>	<u>1,348,959</u>		<u>740,169</u>		<u>19,192</u>	<u>19,192</u>		
Total Business-type Activities	<u>2,069,936</u>	<u>1,348,959</u>		<u>740,169</u>		<u>19,192</u>	<u>19,192</u>		
<b>Total Primary Government</b>	<u>\$ 13,616,526</u>	<u>\$ 3,756,223</u>	<u>\$ 41,174</u>	<u>\$ 901,897</u>	<u>(8,936,424)</u>	<u>19,192</u>	<u>(8,917,232)</u>		
<b>Component Units:</b>									
Industrial Building Authority	\$ 37,482	\$	\$	\$				37,482	
Banks County Health Department	<u>496,763</u>	<u>256,872</u>	<u>272,038</u>						<u>32,147</u>
	<u>\$ 534,245</u>	<u>\$ 256,872</u>	<u>\$ 272,038</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 37,482</u>	<u>\$ 32,147</u>
<b>General Revenues:</b>									
Taxes:									
Property					\$ 4,898,755	\$ 125,835	\$ 5,024,590		
Local Option Sales Tax					2,450,814		2,450,814		
Special Purpose Local Option Sales Tax					2,971,030		2,971,030		
Beverage					211,356		211,356		
Other					923,313		923,313		
Unrestricted investment earnings					92,019	69,830	161,849		
Extraordinary Items:							199,167		
Gain on Extinguishment of Debt					199,167				
Transfers					<u>(120,812)</u>	<u>120,812</u>			
Total general revenues, transfers and extraordinary items					<u>11,625,642</u>	<u>316,477</u>	<u>11,942,119</u>		
Change in Assets					2,689,218	335,669	3,024,887	(37,482)	32,147
Net Assets - Beginning of Year					<u>22,751,584</u>	<u>28,256,468</u>	<u>51,008,052</u>	<u>1,349,332</u>	<u>180,842</u>
Net Assets - End of Year					<u>\$ 25,440,802</u>	<u>\$ 28,592,137</u>	<u>\$ 54,032,939</u>	<u>\$ 1,311,850</u>	<u>\$ 212,989</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

EXHIBIT 1

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	INDUSTRIAL	BANKS COUNTY
	ACTIVITIES	ACTIVITIES		BUILDING AUTHORITY	HEALTH DEPARTMENT
ASSETS					
Cash	\$ 6,598,449	\$ 3,639,813	\$ 10,238,262	\$	\$ 217,317
Cash -2001 SPLOST	5,837,321		5,837,321		
Receivables					
Taxes	1,697,629		1,697,629		
Accounts	1,049,409	59,747	1,109,156		34,725
Internal Balances	86,592	(86,592)			
Prepaid Expenses	42,587	49,345	91,932		
Capital Assets					
Land - Non Depreciable	125,375	1,337,940	1,463,315		
Depreciable Assets, Net	17,311,383	27,776,461	45,087,844	1,311,850	
TOTAL CAPITAL ASSETS	17,436,758	29,114,401	46,551,159	1,311,850	
TOTAL ASSETS	\$ 32,748,745	\$ 32,776,714	\$ 65,525,459	\$ 1,311,850	\$ 252,042
LIABILITIES					
Current Liabilities					
Due to other Governments	\$ 63,351	\$	\$ 63,351	\$	\$
Accounts Payable	146,433	75,000	221,433		2,950
Payroll Taxes Payable	78,079		78,079		
Accrued Vacation					36,103
Accrued Payroll	153,383		153,383		
Water Meter Deposits		79,086	79,086		
Short Term Financing		317,216	317,216		
Lease Payable - Current	421,673		421,673		
Long Term Notes Payable - Current Portion		1,080,154	1,080,154		
Bonds Payable-Current	2,025,000		2,025,000		
Bond Premium	145,024		145,024		
Noncurrent Liabilities					
General Obligation Bonds Payable	4,275,000		4,275,000		
Notes Payable		2,633,121	2,633,121		
TOTAL LIABILITIES	7,307,943	4,184,577	11,492,520		39,053
NET ASSETS					
Invested in Capital Assets, Net of					
Related Debt	10,715,085	25,083,910	35,798,995	1,311,850	
Restricted for:					
Capital Projects	5,837,321		5,837,321		
Unrestricted Assets	8,888,396	3,508,227	12,396,623		212,989
TOTAL NET ASSETS	\$ 25,440,802	\$ 28,592,137	\$ 54,032,939	\$ 1,311,850	\$ 212,989

The accompanying notes are an integral part of this statement.

## BASIC FINANCIAL STATEMENTS

The County has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedule identified as Exhibit 9 in the Financial Section of the accompanying table of contents is not part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Banks County Commissioner's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Banks County, Georgia. The combining and individual nonmajor fund financial statements, supplemental budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of projects constructed with special purpose local option sales tax is presented for purposes of additional analysis as required by Georgia Statutes (48-8-121 OCGA) and the combining and individual financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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## INDEPENDENT AUDITOR'S REPORT

November 19, 2010

To The Commissioners  
Banks County  
Homer, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Banks County Commissioners, Homer, Georgia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Banks County Commissioners. Our responsibility is to express opinions on these financial statements based on the audit. We did not audit the financial statements of the Banks County Health Department, which is a component unit of Banks County as of and for the year ended June 30, 2010, which statements reflect total assets of \$252,042 as of June 30, 2010, and total revenues of \$528,910, for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Banks County Health Department, is based solely on the report of the other auditor.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Banks County Commissioners as of June 30, 2010, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010 on our consideration of the Banks County Commissioner's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**INDEPENDENT AUDITOR'S REPORT**



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HOMER, GEORGIA

BANKS COUNTY