

BANKS COUNTY
HOMER, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

BANKS COUNTY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

TABLE OF CONTENTS

EXHIBITS

Independent Auditor's Report	1-2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Exhibit 1	Statement of Net Assets 3
Exhibit 2	Statement of Activities 4
Fund Financial Statements	
Governmental Funds Financial Statements	
Exhibit 3	Balance Sheet 5
Exhibit 4	Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds 6-7
Proprietary Fund Financial Statements	
Exhibit 5	Statement of Net Assets 8
Exhibit 6	Statement of Revenues, Expenses and Changes in Fund Net Assets 9
Exhibit 7	Statement of Cash Flows 10
Fiduciary Fund Financial Statements	
Exhibit 8	Statement of Fiduciary Assets and Liabilities 11
Notes to the Financial Statements	12-37
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS	
Budgetary Comparison Schedules	
Exhibit 9	General Fund 38

BANKS COUNTY
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

SCHEDULES

Combining Statements

Non-major Governmental Funds

Schedule 1	Combining Balance Sheet	39-40
Schedule 2	Combining Statements of Revenues Expenditures and Changes in Fund Balances	41-42
Schedule 3	Budgetary Comparison Schedules – Non-major Governmental Funds	
	Public Transportation Special Revenue Fund	43
Schedule 4	Family Connections Special Revenue Fund	44

Agency Funds

Schedule 5	Combining Statement of Assets and Liabilities	45
Schedule 6	Statement of Changes in Assets and Liabilities	46-47

Supplemental Information

Schedule 7	Schedule of Projects Constructed with Special Purpose Local Option Sales Tax	48
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OTHER REPORTING SECTION

Report on Internal Control over Financial Reporting and on Compliance and other Matters based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	49-50
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	51-52
Schedule of Expenditures of Federal Awards	53
Notes to the Schedule of Expenditures of Federal Awards	54
Schedule of Findings and Questioned Costs	55-56

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

November 16, 2011

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, 2011, 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, 2011, which statements reflect total assets of \$252,577 as of June 30, 2011, and total revenues of \$487,217, for the year then ended. Those financial statements were audited by other auditors whose reports thereon have 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 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, 2011, 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.

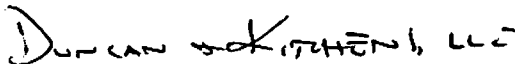
In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011 on our consideration of the Banks County Commissioner's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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.

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.


Duncan & Kitchens, LLC

BASIC FINANCIAL STATEMENTS

BANKS COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2011

EXHIBIT I

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	INDUSTRIAL BUILDING AUTHORITY	BANKS COUNTY HEALTH DEPARTMENT
ASSETS					
Cash	\$ 7,943,451	\$ 3,558,335	\$ 11,501,786	\$	\$ 210,884
Receivables					
Taxes	887,724		887,724		
Accounts	836,037	79,692	915,729		41,693
Internal Balances	86,592	(86,592)			
Prepaid Expenses	53,625	75,261	128,886		
Restricted Assets					
Cash	6,817,555		6,817,555		
Receivables-SPLOST	492,128		492,128		
Capital Assets					
Land - Non Depreciable	125,375	1,337,939	1,463,314		
Depreciable Assets, Net	16,752,105	28,402,086	45,154,191	1,274,368	
TOTAL CAPITAL ASSETS	16,877,480	29,740,025	46,617,505	1,274,368	
TOTAL ASSETS	\$ 33,994,592	\$ 33,366,721	\$ 67,361,313	\$ 1,274,368	\$ 252,577
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ 184,746	\$ 75,000	\$ 259,746	\$	\$ 6,063
Payroll Taxes Payable	89,798		89,798		
Accrued Vacation					38,316
Water Meter Deposits		92,747	92,747		
Short Term Financing		766,359	766,359		
Lease Payable - Current	60,236		60,236		
Long Term Notes Payable - Current Portion		159,068	159,068		
Bonds Payable-Current	2,100,000		2,100,000		
Bond Premium	96,683		96,683		
Noncurrent Liabilities					
Lease Payable	533,789		533,789		
General Obligation Bonds Payable	2,175,000		2,175,000		
Notes Payable		3,400,633	3,400,633		
TOTAL LIABILITIES	5,240,252	4,493,807	9,734,059		44,379
NET ASSETS					
Invested in Capital Assets, Net of					
Related Debt	12,008,455	25,413,965	37,422,420	1,274,368	
Restricted for:					
Capital Projects	7,309,683		7,309,683		
Unrestricted Assets	9,436,202	3,458,949	12,895,151		208,198
TOTAL NET ASSETS	\$ 28,754,340	\$ 28,872,914	\$ 57,627,254	\$ 1,274,368	\$ 208,198

The accompanying notes are an integral part of this statement.

BANKS COUNTY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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
Primary Government									
Governmental Activities									
General Government	\$ 2,333,196	\$ 1,975,690	\$	\$	\$ (357,506)	\$	\$ (357,506)	\$	\$
Judicial	878,370				(878,370)		(878,370)		
Public Safety	5,722,522	582,175		49,527	(5,090,820)		(5,090,820)		
Public Works	938,381				(938,381)		(938,381)		
Health and Welfare	213,022				(213,022)		(213,022)		
Culture and Recreation	616,575	125,731			(490,844)		(490,844)		
Housing and Development	186,165				(186,165)		(186,165)		
Law Library	8,344				(8,344)		(8,344)		
Family Connections	41,987		44,169		2,182		2,182		
Transportation	17,270	3,944	6,663		(6,663)		(6,663)		
Tourism and Promotion	125,177				(125,177)		(125,177)		
Interest and Fiscal Charges	268,049				(268,049)		(268,049)		
Total Governmental Activities	<u>11,349,058</u>	<u>2,687,540</u>	<u>50,832</u>	<u>49,527</u>	<u>(8,561,159)</u>		<u>(8,561,159)</u>		
Business-type Activities									
Water and Sewer	<u>2,235,171</u>	<u>1,433,487</u>		<u>1,048,001</u>		<u>246,317</u>	<u>246,317</u>		
Total Business-type Activities	<u>2,235,171</u>	<u>1,433,487</u>		<u>1,048,001</u>		<u>246,317</u>	<u>246,317</u>		
Total Primary Government	<u>\$ 13,584,229</u>	<u>\$ 4,121,027</u>	<u>\$ 50,832</u>	<u>\$ 1,097,528</u>	<u>(8,561,159)</u>	<u>246,317</u>	<u>(8,314,842)</u>		
Component Units:									
Industrial Building Authority	\$ 37,482	\$	\$	\$				37,482	
Banks County Health Department	<u>492,008</u>	<u>218,258</u>	<u>268,959</u>						<u>(4,791)</u>
	<u>\$ 529,490</u>	<u>\$ 218,258</u>	<u>\$ 268,959</u>					<u>\$ 37,482</u>	<u>\$ (4,791)</u>
General Revenues									
Taxes									
Property					\$ 5,234,265	\$	\$ 5,234,265		
Local Option Sales Tax					2,382,623		2,382,623		
Special Purpose Local Option Sales Tax					2,910,658		2,910,658		
Beverage					211,763		211,763		
Other					671,844		671,844		
Gain on sale of assets					68,836		68,836		
Sale of Timber					276,646		276,646		
Unrestricted investment earnings					78,729	73,793	152,522		
Transfers					<u>39,333</u>	<u>(39,333)</u>			
Total general revenues and transfers					<u>11,874,697</u>	<u>34,460</u>	<u>11,909,157</u>		
Change in Assets					3,313,538	280,777	3,594,315	(37,482)	(4,791)
Net Assets - Beginning 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>
Net Assets - End of Year					<u>\$ 28,754,340</u>	<u>\$ 28,872,914</u>	<u>\$ 57,627,254</u>	<u>\$ 1,274,368</u>	<u>\$ 208,198</u>

BANKS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

EXHIBIT 3

	GENERAL FUND	E-911 FUND	2001 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 7,487,293	\$ 283,148	\$	\$	\$	\$ 173,010	\$ 7,943,451
Restricted Cash			457,341	4,202,120	2,158,094		6,817,555
Receivables							
Taxes	887,724						887,724
SPLOST				492,128			492,128
Accounts	836,037						836,037
Due From Other Funds	2,679,993						2,679,993
Prepaid Expenses	53,625						53,625
TOTAL ASSETS	<u>\$ 11,944,672</u>	<u>\$ 283,148</u>	<u>\$ 457,341</u>	<u>\$ 4,694,248</u>	<u>\$ 2,158,094</u>	<u>\$ 173,010</u>	<u>\$ 19,710,513</u>
LIABILITIES							
Accounts Payable	\$ 161,239	\$	\$	\$	\$	\$ 23,507	\$ 184,746
Payroll Taxes Payable	89,798						89,798
Deferred Revenue - Taxes	607,886						607,886
Due to Other Funds		2,593,401					2,593,401
TOTAL LIABILITIES	<u>858,923</u>	<u>2,593,401</u>				<u>23,507</u>	<u>3,475,831</u>
FUND BALANCES							
Nonspendable:							
Prepaid expenditure	53,625						53,625
Long Term Interfund							
Receivable	2,593,401						2,593,401
Restricted:							
Capital outlay projects			457,341	4,694,248			5,151,589
Judicial programs						75,638	75,638
Public safety programs						78,405	78,405
Health and welfare programs						2,337	2,337
Committed							
Capital outlay projects					2,158,094		2,158,094
Unassigned	8,438,723	(2,310,253)				(6,877)	6,121,593
TOTAL FUND BALANCES	<u>11,085,749</u>	<u>(2,310,253)</u>	<u>457,341</u>	<u>4,694,248</u>	<u>2,158,094</u>	<u>149,503</u>	<u>16,234,682</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,944,672</u>	<u>\$ 283,148</u>	<u>\$ 457,341</u>	<u>\$ 4,694,248</u>	<u>\$ 2,158,094</u>	<u>\$ 173,010</u>	<u>\$ 19,710,513</u>

Adjustments to the Statement of Net Assets

Fund Balance	\$ 16,234,682
Capital assets \$25,883,822, net of accumulated depreciation of (\$9,006,342) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	16,877,480
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the fund These are deferred property taxes	607,886
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Leases Payable	(594,025)
Bond Premium	(96,683)
General Obligation Bonds Payable	(4,275,000)
Total Net Assets of Governmental Activities (Exhibit 1)	<u>\$ 28,754,340</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT 4

	GENERAL FUND	E-911 FUND	2001 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Taxes							
Property Tax	\$ 5,069,998	\$	\$	\$	\$	\$	\$ 5,069,998
Local Option Sales Tax	2,382,623						2,382,623
Special Purpose Local Option Sales Tax				2,887,137			2,887,137
Beverage	211,763						211,763
Other	629,150					319,340	948,490
License and Permits	117,059						117,059
Fines & Forfeitures	582,175						582,175
Grants						105,859	105,859
Local Matching						8,013	8,013
Fees	1,190,819	313,427				120,769	1,625,015
Interest	50,357		10,557	12,964	28,369	3	102,250
Sale of Timber	276,646						
Other	27,032						27,032
TOTAL REVENUES	<u>10,537,622</u>	<u>313,427</u>	<u>10,557</u>	<u>2,900,101</u>	<u>28,369</u>	<u>553,984</u>	<u>14,344,060</u>
EXPENDITURES							
Current:							
General Government	1,970,379				12,652	13,599	1,996,630
Judicial	878,370						878,370
Public Safety	4,396,102	649,114			45,663	177,415	5,268,294
Public Works	1,264,574				22,535		1,287,109
Health and Welfare	213,022						213,022
Culture and Recreation	612,220						612,220
Housing and Development	186,165						186,165
Law Library						8,344	8,344
Family Connections						41,987	41,987
Transportation						17,270	17,270
Tourism and Promotion						125,177	125,177
Debt Service							
Principal Retirement	76,701			2,025,000			2,101,701
Interest	20,924			247,125			268,049
Capital Expenditures			193,451	1,429			194,880
TOTAL EXPENDITURES	<u>9,618,457</u>	<u>649,114</u>	<u>193,451</u>	<u>2,273,554</u>	<u>80,850</u>	<u>383,792</u>	<u>13,199,218</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>919,165</u>	<u>(335,687)</u>	<u>(182,894)</u>	<u>626,547</u>	<u>(52,481)</u>	<u>170,192</u>	<u>1,144,842</u>
OTHER FINANCING SOURCES (USES)							
Capital Lease Proceeds	623,385						623,385
Transfers from Other County Funds	233,496				400,000	(194,163)	439,333
Transfers (to) Other County Funds	(400,000)						(400,000)
Total Other Financing Sources (Uses)	<u>456,881</u>				<u>400,000</u>	<u>(194,163)</u>	<u>662,718</u>
NET CHANGE IN FUND BALANCE	1,376,046	(335,687)	(182,894)	626,547	347,519	(23,971)	1,807,560
FUND BALANCE - BEGINNING 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>
FUND BALANCE - END OF YEAR	<u>\$ 11,085,749</u>	<u>\$ (2,310,253)</u>	<u>\$ 457,341</u>	<u>\$ 4,694,248</u>	<u>\$ 2,158,094</u>	<u>\$ 149,503</u>	<u>\$ 16,234,682</u>

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

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, 2011

Adjustments to the Statement of Activities

Net Change In Fund Balance	\$ 1,807,560
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 (828,826) exceeded Capital Outlays(623,385).	(205,441)
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.	164,267
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,101,701
Gain on sale of assets	68,836
Proceeds from financing, such as capital leases, are recognized in the statement of activities, whereas they are recognized as other financing sources in the governmental funds.	<u>(623,385)</u>
Change in Net Assets of Governmental Activities (Exhibit 2)	\$ <u><u>3,313,538</u></u>

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

BANKS COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

EXHIBIT 5

BUSINESS-TYPE ACTIVITIES

PUBLIC UTILITIES
FUND

ASSETS

Current Assets:

Cash	\$ 3,558,335
Accounts Receivable	79,692
Prepaid Items	75,261
Total Current Assets	<u>3,713,288</u>

Non-current Assets:

Capital Assets

Water Plant and Distribution System	33,510,634
Equipment	132,842
Dam	3,878,261
Land	1,337,939
Road	175,069
Vehicle	77,199
Accumulated Depreciation	<u>(9,371,919)</u>
Total Non-current Assets	<u>29,740,025</u>

TOTAL ASSETS

\$ 33,453,313

LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts Payable	\$ 75,000
Due to General Fund	86,592
Water Meter Deposits	92,747
Short Term Financing	766,359
Long-Term Notes Payable - Current Portion	<u>159,068</u>
Total Current Liabilities	<u>1,179,766</u>

Non-current Liabilities

Long-term Notes Payable	<u>3,400,633</u>
Total Non-current Liabilities	<u>3,400,633</u>

TOTAL LIABILITIES

4,580,399

NET ASSETS

Invested in Capital Assets, Net of Related Debt	25,413,965
Unrestricted Assets	<u>3,458,949</u>
TOTAL NET ASSETS	<u>28,872,914</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 33,453,313

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, 2011

EXHIBIT 6

	PUBLIC UTILITIES FUND
OPERATING REVENUES	
Charges for Service	\$ 1,433,487
TOTAL OPERATING REVENUES	<u>1,433,487</u>
OPERATING EXPENSES	
Salaries	469,439
Water Purchased	106,901
Payroll Tax	39,881
Office	22,519
Insurance	59,116
Testing	94,230
Engineering Services	91,021
Utilities	165,679
Vehicle Expense	49,101
Supplies	21,320
Repairs & Maintenance	96,790
Depreciation	871,526
Telephone	12,397
Uniforms	4,660
TOTAL OPERATING EXPENSES	<u>2,104,580</u>
OPERATING INCOME	<u>-671,093</u>
NON-OPERATING REVENUES (EXPENSE)	
Interest Income	73,793
Interest Expense	-130,591
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>-56,798</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	-727,891
TRANSFERS AND CONTRIBUTIONS	
Transfers Out	-39,333
Capital Contributions	1,048,001
TOTAL TRANSFERS AND CONTRIBUTIONS	<u>1,008,668</u>
NET INCOME (LOSS)	280,777
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>28,592,137</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 28,872,914</u>

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, 2011

EXHIBIT 7

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 1,433,487
Payments to Suppliers	(795,821)
Payments to Employees	(469,439)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>168,227</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer(to) from other funds	(39,333)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(39,333)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(1,497,144)
Proceeds from Debt	449,143
Capital Contributions	1,048,001
Principal Paid on Notes Payable	(153,574)
Interest Paid On Notes Payable	(130,591)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(284,165)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Earned	73,793
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>73,793</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(81,478)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,639,813</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,558,335</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (671,093)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities	
Depreciation	871,526
Changes in Assets and Liabilities	
(Increase) Decrease in Prepaid Items	(25,916)
(Increase) Decrease in Accounts Receivable	(19,945)
Increase (Decrease) in Deposits	13,655
TOTAL ADJUSTMENTS	<u>835,710</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 168,227</u>

The accompanying notes are an integral part of this statement.

**BANKS COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2011**

EXHIBIT 8

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 879,572
TOTAL ASSETS	\$ <u>879,572</u>
 LIABILITIES	
Due to Other Governments	\$ 438,251
Unsettled Escrow	<u>441,321</u>
TOTAL LIABILITIES	<u>879,572</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 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

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

The 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-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

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – (Continued)

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 for the state at year end on behalf of 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, 2011

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – (Continued)

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.

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.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – (Continued)

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.

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.

L. Fund Equity/Net Assets

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

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

- **Nonspendable** – Fund balances are reported as nonspendable when the amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash like inventories and prepaid items) or (b) legally or contractually required to be maintained intact.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – (Continued)

- *Restricted* – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Committed* – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Commissioners through the adoption of a resolution prior to the end of the fiscal year. In order to modify or rescind the commitment, the Board of Commissioners must adopt another resolution.
- *Assigned* – Fund balances are reported as assigned when the amounts are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the Board of Commissioners has authorized the County's finance director to assign fund balances.
- *Unassigned* – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The County reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all other governmental funds.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt used for the acquisition, construction, or improvement of those assets. In determining the outstanding balance of any borrowing, proceeds of that debt which has not been spent is deducted. Accounts payable for costs related to acquisition, construction, or improvement of those capital assets is considered debt for this calculation. Net assets are reported as restricted as described in the fund balance section above. All other assets are reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then committed, assigned, and unassigned (or restricted) resources as they are needed.

M. Invested in Capital Assets, Net of Related Debt

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>	<u>Component Unit</u>
Invested in capital asset, net of related debt:			
Cost of capital assets	\$ 25,883,822	\$ 39,111,944	\$ 1,274,368
Accumulated depreciation	<u>(9,006,342)</u>	<u>(9,371,919)</u>	
Book value	16,877,480	29,740,025	1,274,368
Capital Related Debt	<u>(4,869,025)</u>	<u>(4,326,060)</u>	
Total Receivables	\$ <u>12,008,455</u>	\$ <u>25,413,965</u>	\$ <u>1,274,368</u>

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, 2011

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.

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

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 – FUND BALANCE/NET ASSETS

Additional details related to fund balances at the governmental fund level are presented below:

Nonspendable:

General Fund

<i>Prepaid expenses</i> – For the amount in prepaid insurance in the general fund	\$ 53,625
<i>Long-term interfund receivable</i> - For the amount due from E-911 Fund	<u>2,593,401</u>
	\$ <u>2,647,026</u>

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – (Continued)

Restricted:

2001 SPLOST Fund

Capital outlay projects – For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved referendum

\$ 457,341

2006 SPLOST Fund

Capital outlay projects – For funds received from the imposition of the Special Purpose Local Option Sales Tax (SPLOST) restricted by the voter approved Referendum

4,694,248

Nonmajor Special Revenue Funds

Judicial Programs:

Victims assistance – Used to account for surcharges on fines and forfeitures which are used to provide victims assistance.

10,873

Juvenile Supervision – Used to account for surcharges on fines and forfeitures which are used in juvenile supervision programs

19,688

Law Library – To account for surcharges on fines and forfeitures which are for the operation of the County law library and other general expenditures as decided by the trustees of the library

45,077

Public Safety Programs:

Edward Byrne Memorial- Used to account for funds received from Grants used for capital outlay in the Sheriff's department

1,146

Jail Fund – To account for funds received from surcharges on fines and forfeitures restricted for operations of the County jail

1,360

Drug Surcharge Fund – Used to account for funds collected from fines and forfeitures to be used in drug treatment and education programs

75,899

Health and Welfare Programs:

Pandemic Flu Grant - Used to account for funds received from grants to be used for the public health in pandemic flu prevention programs

2,337
\$ 5,307,969

Committed:

Capital Projects Fund

Capital outlay projects - To account for funds from state grants and transfers from the general fund for capital outlay projects

\$ 2,158,094

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – 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 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, 2011 was 46 days. At June 30, 2011, the County's balance in Georgia Fund 1 was \$1,259.

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 4 – 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.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – (Continued)

Before June 30th 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 5– DEPOSITS

At June 30, 2011 the carrying amount of the County's deposits was \$19,198,913 and the bank balance was \$ 18,949,943. All bank balances of deposits as of June 30, 2011 are entirely insured or collateralized with securities held by the County's agent in the County's name.

NOTE 6 – RESTRICTED CASH

Primary Government

The County's restricted cash in the Governmental Activities on June 30, 2011 consisted of the following:

SPLOST	\$ 4,659,461
Capital Projects Fund	<u>2,158,094</u>
Total Restricted Cash	<u>\$ 6,817,555</u>

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of the following:

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>	<u>SPLOST</u>	<u>Total</u>
Receivables:				
Taxes	\$ 887,724	\$	\$	\$ 887,724
Intergovernmental			492,128	492,128
Accounts	<u>836,037</u>	<u>79,692</u>		<u>915,729</u>
Total Receivables	\$ <u>1,723,761</u>	\$ <u>79,692</u>	\$ <u>492,128</u>	\$ <u>2,295,581</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.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – (Continued)

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 8 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2011, 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>2,593,401</u>
Total		<u>\$ 2,679,993</u>

INTERFUND TRANSFERS

	<u>Major Funds</u>			<u>Nonmajor Funds</u>	
	<u>General</u>	<u>Capital Fund</u>	<u>Proprietary</u>	<u>Governmental</u>	<u>Combined</u>
Transfer Out To:					
Major Funds					
General	\$	\$	\$ (39,333)	\$ (194,163)	\$ (233,496)
Capital Fund	(400,000)				(400,000)
Proprietary					
Transfers in from:					
Major Funds					
General		400,000			400,000
Proprietary	39,333				39,333
Nonmajor Funds					
Governmental	<u>194,163</u>				<u>194,163</u>
Total	<u>\$(166,504)</u>	<u>\$400,000</u>	<u>\$ (39,333)</u>	<u>\$ (194,163)</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.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government:

	Balance <u>07/01/10</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/11</u>
Capital Assets Not being Depreciated				
Land	\$ 125,375	\$ _____	\$ _____	\$ 125,375
Depreciable Assets				
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	4,485,416	623,380	(536,643)	4,572,153
Jail	3,741,174			3,741,174
Recreation	229,194			229,194
Total Depreciable Assets	<u>25,671,710</u>	<u>623,380</u>	<u>(536,643)</u>	<u>25,758,447</u>
Less: Accumulated Depreciation				
Building	(1,935,296)	(213,639)		(2,148,935)
Furniture & Equipment	(219,330)	(25,576)		(244,906)
Fire Equipment	(2,533,983)	(312,114)		(2,846,097)
Machinery & Equipment	(3,491,317)	(252,801)	182,810	(3,561,308)
Jail	(155,843)	(21,139)		(176,982)
Recreation	(24,558)	(3,556)		(28,114)
Total Accumulated Depreciation	<u>(8,360,327)</u>	<u>(828,825)</u>	<u>182,810</u>	<u>(9,006,342)</u>
Net Depreciable Assets	<u>17,311,383</u>	<u>(205,445)</u>	<u>(353,833)</u>	<u>16,752,105</u>
Governmental activities assets, net	<u>\$ 17,436,758</u>	<u>\$ (205,445)</u>	<u>\$ (353,833)</u>	<u>\$ 16,877,480</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 528,249
Recreation	24,865
Public Safety	<u>275,712</u>
Total	<u>\$ 828,826</u>

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – (Continued)

Business-Type Activities:

	<u>Balance 07/01/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/11</u>
Capital Assets Not being Depreciated				
Land	\$ <u>1,337,939</u>	\$ _____	\$ _____	\$ <u>1,337,939</u>
Depreciable Assets				
Plant	\$ 32,013,490	\$ 1,497,144	\$ _____	\$ 33,510,634
Furniture & Equipment	132,842			132,842
Road	175,069			175,069
Dam	3,878,261			3,878,261
Vehicles	77,199			77,199
Total Depreciable Assets	<u>36,276,861</u>	<u>1,497,144</u>	<u>_____</u>	<u>37,774,005</u>
Less: Accumulated Depreciation				
Plant	(7,157,313)	(745,029)		(7,902,342)
Furniture & Equipment	(69,127)	(6,510)		(75,637)
Road	(52,829)	(4,976)		(57,805)
Dam	(1,170,235)	(110,218)		(1,280,453)
Vehicles	(50,889)	(4,793)		(55,682)
Total Accumulated Depreciation	<u>(8,500,393)</u>	<u>(871,526)</u>	<u>_____</u>	<u>(9,371,919)</u>
Net Depreciable Assets	<u>27,776,468</u>	<u>625,618</u>	<u>_____</u>	<u>28,402,086</u>
Business -Type activities assets; net	\$ <u>29,114,407</u>	\$ <u>625,618</u>	\$ <u>_____</u>	\$ <u>29,740,025</u>

Discretely Presented Component Units:

Banks County Industrial Building Authority – Activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Balance 07/01/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/11</u>
Recreation Building	\$ 1,499,260	\$ _____	\$ _____	\$ 1,499,260
Less Accumulated Depreciation	<u>(187,410)</u>	<u>(37,482)</u>	<u>_____</u>	<u>(224,892)</u>
Net Depreciable Assets	\$ <u>1,311,850</u>	\$ <u>(37,482)</u>	\$ <u>_____</u>	\$ <u>1,274,368</u>

Banks County Health Department – Activity for the year ended June 30, 2011 was as follows:

	<u>Balance 07/01/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/11</u>
Equipment	\$ 7,167	\$ _____	\$ _____	\$ 7,167
Less Accumulated Depreciation	<u>(7,167)</u>	<u>_____</u>	<u>_____</u>	<u>(7,167)</u>
Net Depreciable Assets	\$ _____	\$ _____	\$ _____	\$ _____

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 – (Continued)

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 10 - LONG-TERM DEBT

The following is a summary of Long-Term Debt transactions of the County for the year ended June 30, 2011:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 6,300,000.00		\$ 2,025,000.00	\$ 4,275,000.00	\$2,100,000.00
Obligation Under Capital Leases	<u>421,673.32</u>	<u>623,385.00</u>	<u>451,033.02</u>	<u>594,025.30</u>	<u>60,235.96</u>
	<u>\$ 6,721,673.32</u>	<u>\$ 623,385.00</u>	<u>\$ 2,476,033.02</u>	<u>\$ 4,869,025.30</u>	<u>\$2,160,235.96</u>

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

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – (Continued)

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.

The annual requirements to amortize this contract payable as of June 30, 2011 are as follows:

<u>Year End</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 4,275,000.00</u>	<u>\$ 201,375.00</u>	<u>\$ 4,476,375.00</u>

Business Type Activities:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>One Year</u>
Long Term					
Notes Payable	\$ <u>3,713,274.97</u>	\$ <u>0</u>	\$ <u>153,573.50</u>	\$ <u>3,559,701.47</u>	\$ <u>159,067.82</u>

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – (Continued)

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 spay 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>
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	172,926.96
2016	105,750.67	67,173.29	172,923.96
2017-2021	596,234.75	268,817.29	865,052.04
2022-2026	724,980.92	139,653.88	864,634.80
2027-2028	<u>332,004.22</u>	<u>14,322.47</u>	<u>346,326.69</u>
	\$ <u>2,143,298.69</u>	\$ <u>797,347.04</u>	\$ <u>2,940,645.73</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>
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	43,679.10	16,030.98	59,710.08
2017-2021	233,270.39	65,280.01	298,550.40
2022-2026	259,822.07	38,761.33	298,583.40
2027-2030	<u>224,124.54</u>	<u>9,791.55</u>	<u>233,916.09</u>
	\$ <u>926,579.93</u>	\$ <u>203,020.36</u>	\$ <u>1,129,600.29</u>

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – (Continued)

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>
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	34,614.20	16,913.96	51,528.16
2017-2021	200,038.58	57,602.53	257,641.11
2022-2024	<u>132,047.85</u>	<u>9,655.28</u>	<u>141,703.13</u>
	\$ <u>489,822.85</u>	\$ <u>167,162.19</u>	\$ <u>656,985.04</u>

Notes Payable Short Term– 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).

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Short Term Notes Payable	\$ <u>317,216</u>	\$ <u>449,143</u>	\$	\$ <u>766,359</u>

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 and is shown as short term financing. The project is not yet completed.

NOTE 11 – 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	\$ 623,385
Less: Accumulated Depreciation	<u>(62,339)</u>
Net Value	\$ <u>561,046</u>

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2011	\$ 79,390.90
2012	79,499.93
2013	79,499.94
2014	<u>414,749.94</u>
Total Minimum Lease Payments	653,140.71
Less: amount representing interest	<u>59,115.41</u>
Present value of minimum lease payments	\$ <u>594,025.30</u>

Caterpillar Financing.

On November 10, 2010 the County entered into a Capital Lease with Bancorp South Equipment Finance for the acquisition of two 140M Motor Graders, one 420E Backhoe Loader, One 304C-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 \$ 560,675. The lease calls for forty-eight monthly payments of \$5,225.84 and a balloon payment of \$375,000 due one month after final monthly payment beginning December 10, 2010. This lease has interest rate of 3.4% 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, 2011:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 45,092.74	\$ 17,617.29	\$ 62,710.03
2013	46,650.01	16,060.02	62,710.03
2014	48,261.08	14,448.97	62,710.05
2015	<u>398,692.49</u>	<u>7,662.52</u>	<u>406,355.01</u>
	<u>\$538,696.32</u>	<u>\$ 55,788.80</u>	<u>\$ 594,485.12</u>

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – (Continued)

Caterpillar Financing.

On November 10, 2010 the County entered into a Capital Lease with Bancorp South Equipment Finance for the acquisition of a Caterpillar 930G Wheel Loader 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 \$ 62,710. The lease calls for forty-eight monthly payments of \$1,399.16 beginning January 1, 2011. This lease has interest rate of 3.4% 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, 2011:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 15,143.22	\$ 1,537.65	\$ 16,680.87
2013	15,666.21	1,123.69	16,789.90
2014	16,207.24	582.65	16,789.89
2015	<u>8,312.31</u>	<u>82.62</u>	<u>8,394.93</u>
	\$ <u>55,328.98</u>	\$ <u>3,326.61</u>	\$ <u>58,655.59</u>

NOTE 12 - EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

(A) 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: GEBCorp, 400 Galleria Parkway, Suite 1250, Atlanta, Georgia, 30339.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of an adoption agreement 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, 2010 (the most recent actuarial valuation date) was \$367,112 (based on covered earnings of preceding year).

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 – (Continued)

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.

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.

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.

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

(B) FUNDING POLICY

The County is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code set forth minimum funding standards for state and local government pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report.

Contributions totaling \$18,241 (\$18,241 employer and \$0 employee) were made in accordance with actuarially determined contribution requirements determined by the actuarial valuation performed as of January 1, 2010. Employer contributions attributable to the 2010 Plan Year were made in early 2011. The employer contribution represents 4.9% of covered payroll (using the prior year's earnings as a base).

(C) ANNUAL PENSION COST

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

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 – (Continued)

The County's contributions to the Plan for the years ended December 31, 2010, 2009 and 2008 were \$18,241, \$17,568 and \$10,668, respectively, and were equal to the required contribution for each year.

The Schedule of Pension Funding Progress included in the required supplementary information presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. The data for the past ten years are as follows:

Measurement Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Funded Ratio (a/b)	Unfunded AAL (UALL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12-31-10	\$715,037	\$828,324	86.3%	\$113,287	\$367,112	30.9%
12-31-09	\$713,932	\$801,799	89.0%	\$87,867	\$347,973	25.3%
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	\$719,566	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%)
12-31-02	\$602,730	\$659,517	91.4%	\$56,787	\$465,431	12.2%
12-31-01	\$657,512	\$649,787	101.2%	\$(7,725)	\$486,267	(1.6%)
12-31-00	\$682,004	\$604,664	112.8%	\$(77,340)	\$505,903	(15.3%)

The annual required contribution and percentage contributed for the past ten years are as follows:

Fiscal Year <u>December 31</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC Contributed <u>Contributed</u>
2010	\$ 18,241	100.%
2009	17,568	100.%
2008	10,668	100.%
2007	15,077	100.%
2006	16,592	101.1 %
2005	17,843	100.%
2004	13,394	100.%
2003	16,306	100.%
2002	14,976	100.%
2001	9,803	100.%
2000	7,998	100.%

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 – (Continued)

The information was determined as part of the actuarial valuation as of January 1, 2010. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization method	Level Percent of Pay (Closed)
Remaining amortization period (The estimated amortization period for all unfunded Liabilities combined into one account.)	10 years
Asset valuation method	Market Value
Actuarial Assumptions:	
Investment rate return*	7.75%
Projected salary increases*	4.5-7.0% based on age
*Includes inflation at	3.0%
Cost-of-living adjustments	N/A
Post-retirement benefit increases	N/A

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 2010 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.

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12 – (Continued)

OTHER PLANS

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

- **PROBATE JUDGES' RETIREMENT FUND OF GEORGIA**
The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.
- **CLERK OF SUPERIOR COURT RETIREMENT FUND**
The Clerk of Superior Court is covered under a pension plan which requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.
- **SHERIFF'S RETIREMENT FUND/PEACE OFFICER'S ANNUITY AND BENEFIT FUND**
The Sheriff and Sheriff's Deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.
- **GEORGIA STATE EMPLOYEES' RETIREMENT SYSTEM**
The Health Department's eligible employees participate in the Georgia State Employee's Retirement System (ERS), a statewide multiple-employer public employee retirement system covering employees of local boards of health and various agencies and departments of the State of Georgia. ERS is funded through employer and employee contributions and the Health Department has no legal obligation for paying benefits.

NOTE 13– 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.

NOTE 14 - RISK MANAGEMENT

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

BANKS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 14 – (Continued)

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 coverage's.

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 15– 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, 2011

NOTE 16 – 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 17 –DEFICIT EQUITY BALANCES

The Family Connections Fund has a deficit fund balance of \$6,877 which is expected to be eliminated in the next few years.

The E-911 Special Revenue fund has a deficit fund balance of \$2,310,253. 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
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

EXHIBIT 9

	ORIGINAL BUDGET	BUDGET AS AMENDED	ACTUAL	VARIANCE FROM AMENDED
REVENUES				
Taxes				
Property Tax	\$ 4,988,157	\$ 4,988,157	\$ 5,069,998	\$ 81,841
Local Option Sales Tax	2,420,000	2,420,000	2,382,623	(37,377)
Beverage	205,600	205,600	211,763	6,163
Other	658,000	658,000	629,150	(28,850)
License and Permits	101,000	101,000	117,059	16,059
Fines & Forfeitures	619,000	619,000	582,175	(36,825)
Fees	1,207,000	1,207,000	1,190,819	(16,181)
Interest	110,000	110,000	50,357	(59,643)
Other	4,000	4,000	303,678	299,678
TOTAL REVENUES	<u>10,312,757</u>	<u>10,312,757</u>	<u>10,537,622</u>	<u>224,865</u>
EXPENDITURES				
Current:				
General Government	2,275,768	2,275,168	1,970,379	304,789
Judicial	982,683	982,683	878,370	104,313
Public Safety	4,637,116	4,637,116	4,396,102	241,014
Public Works	1,287,114	1,287,114	1,264,574	22,540
Health and Welfare	234,013	234,013	213,022	20,991
Culture and Recreation	646,336	646,336	612,220	34,116
Housing and Development	321,163	321,163	186,165	134,998
Debt Service				
Debt Retirement	100,000	100,000	76,701	23,299
Interest	25,000	25,000	20,924	4,076
TOTAL EXPENDITURES	<u>10,509,193</u>	<u>10,508,593</u>	<u>9,618,457</u>	<u>890,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(196,436)</u>	<u>(195,836)</u>	<u>919,165</u>	<u>1,115,001</u>
OTHER FINANCING SOURCES (USES)				
Transfers (To) from Other County Funds	(351,015)	(351,015)	(166,504)	184,511
Lease Proceeds	546,851	546,851	623,385	
Total Other Financing Sources (Uses)	<u>195,836</u>	<u>195,836</u>	<u>456,881</u>	<u>261,045</u>
NET CHANGE IN FUND BALANCE			1,376,046	1,376,046
FUND BALANCE - BEGINNING OF YEAR			<u>9,709,703</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,085,749</u>	

Note to the Budgetary Comparison Schedule

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

BANKS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	SPECIAL REVENUE			
	<u>FAMILY CONNECTIONS</u>	<u>VICTIMS ASSISTANCE</u>	<u>JUVENILE SUPERVISION</u>	<u>PANDEMIC FLU GRANT</u>
ASSETS				
Cash	\$ <u>16,630</u>	\$ <u>10,873</u>	\$ <u>19,688</u>	\$ <u>2,337</u>
TOTAL ASSETS	\$ <u><u>16,630</u></u>	\$ <u><u>10,873</u></u>	\$ <u><u>19,688</u></u>	\$ <u><u>2,337</u></u>
LIABILITIES				
Accounts Payable	\$ <u>23,507</u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
TOTAL LIABILITIES	<u>23,507</u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE				
Restricted:				
Judicial programs		10,873	19,688	
Public safety programs				
Health and welfare programs				2,337
Committed:				
Public safety programs				
Unassigned	<u>(6,877)</u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u><u>(6,877)</u></u>	<u><u>10,873</u></u>	<u><u>19,688</u></u>	<u><u>2,337</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u><u>16,630</u></u>	 \$ <u><u>10,873</u></u>	 \$ <u><u>19,688</u></u>	 \$ <u><u>2,337</u></u>

SCHEDULE 1

SPECIAL REVENUE				
EDWARD BYRNE MEMORIAL	JAIL FUND	LAW LIBRARY	DRUG SURCHARGE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 1,146	\$ 1,360	\$ 45,077	\$ 75,899	\$ 173,010
\$ 1,146	\$ 1,360	\$ 45,077	\$ 75,899	\$ 173,010
\$	\$	\$	\$	\$ 23,507
				23,507
		45,077		75,638
1,146	1,360		75,899	78,405
				2,337
				(6,877)
1,146	1,360	45,077	75,899	149,503
\$ 1,146	\$ 1,360	\$ 45,077	\$ 75,899	\$ 173,010

BANKS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE					
	FAMILY CONNECTIONS	VICTIMS ASSISTANCE	JUVENILE SUPERVISION FUND	PANDEMIC FLU GRANT	EDWARD BYRNE MEMORIAL	JAIL FUND
REVENUES						
Grants	\$ 44,169	\$	\$	\$	\$ 49,527	\$
Taxes						
Local Matching	1,350					
Fees		17,915				72,072
Interest				3		
TOTAL REVENUE	<u>45,519</u>	<u>17,915</u>		<u>3</u>	<u>49,527</u>	<u>72,072</u>
EXPENDITURES						
Tourism and Promotion						
Law Enforcement		20,662			48,381	98,897
Law Library						
Transportation System						
Family Connections	41,987					
General Government						
TOTAL EXPENDITURES	<u>41,987</u>	<u>20,662</u>			<u>48,381</u>	<u>98,897</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	3,532	(2,747)		3	1,146	(26,825)
OTHER FINANCING SOURCES (USES)						
Transfers Out:						
NET CHANGES IN FUND BALANCE	<u>3,532</u>	<u>(2,747)</u>		<u>3</u>	<u>1,146</u>	<u>(26,825)</u>
FUND BALANCE BEGINNING OF YEAR	<u>(10,409)</u>	<u>13,620</u>	<u>19,688</u>	<u>2,334</u>		<u>28,185</u>
FUND BALANCE END OF YEAR	\$ <u>(6,877)</u>	\$ <u>10,873</u>	\$ <u>19,688</u>	\$ <u>2,337</u>	\$ <u>1,146</u>	\$ <u>1,360</u>

SCHEDULE 2

SPECIAL REVENUE						TOTAL
LAW LIBRARY	DRUG SURCHARGE	PUBLIC TRANSPORTATION	HOTEL MOTEL TAX	EMP GRANT FUND	NONMAJOR GOVERNMENTAL FUNDS	
\$	\$	\$	\$	\$	\$	
		6,663	319,340	5,500	105,859	
					319,340	
10,700	16,138	6,663			8,013	
		3,944			120,769	
10,700	16,138	17,270	319,340	5,500	3	
					553,984	
8,344	9,475		125,177			
					125,177	
					177,415	
					8,344	
		17,270				
					17,270	
					41,987	
8,344	9,475	17,270	125,177	13,599	13,599	
				13,599	383,792	
2,356	6,663		194,163	(8,099)		
					170,192	
2,356	6,663		(194,163)	(8,099)	(194,163)	
					(23,971)	
42,721	69,236			8,099		
					173,474	
45,077	75,899			0		
\$	\$	\$	\$	\$	\$	
					149,503	

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, 2011

REVENUES	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
Grants	\$ 13,931	\$ 6,663	\$ (7,268)
Local Matching	13,931	6,663	(7,268)
Fees	6,966	3,944	(3,022)
TOTAL REVENUE	<u>34,828</u>	<u>17,270</u>	<u>(17,558)</u>
EXPENDITURES			
Administrative	2,837	1,164	1,673
Transportation	31,991	16,106	15,885
TOTAL EXPENDITURES	<u>34,828</u>	<u>17,270</u>	<u>17,558</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES			
FUND BALANCES BEGINNING OF YEAR	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES END OF YEAR	\$ <u> </u>	\$ <u> </u>	\$ <u> </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, 2011

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
REVENUES			
Grants	\$ 50,000	\$ 44,169	\$ (5,831)
Local Matching		1,350	1,350
Interest Income		0	0
TOTAL REVENUE	<u>50,000</u>	<u>45,519</u>	<u>(4,481)</u>
EXPENDITURES			
Operating	3,300	162	3,300
Per Diem & Contract Fees	45,600	40,925	
Telecommunications	1,100	900	200
TOTAL EXPENDITURES	<u>50,000</u>	<u>41,987</u>	<u>3,500</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES		<u>3,532</u>	<u>(981)</u>
FUND BALANCES BEGINNING OF YEAR		<u>(10,409)</u>	
FUND BALANCES END OF YEAR		<u>\$ (6,877)</u>	

BANKS COUNTY
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2011

SCHEDULE 5

	TAX COMMISSIONER	PROBATION OFFICE	SHERIFF	PROBATE JUDGE	FEDERAL EQUITY SHARING	CLERK OF COURT	MAGISTRATE COURT	COMBINED TOTALS
ASSETS								
Cash	\$ 616,333	\$ 20,436	\$ 9,610	\$ 10,789	\$ 36,208	\$ 180,292	\$ 5,904	\$ 879,572
TOTAL ASSETS	<u>\$ 616,333</u>	<u>\$ 20,436</u>	<u>\$ 9,610</u>	<u>\$ 10,789</u>	<u>\$ 36,208</u>	<u>\$ 180,292</u>	<u>\$ 5,904</u>	<u>\$ 879,572</u>
LIABILITIES								
Accounts Payable								
Due to Other Government Agencies	\$ 322,501	\$	\$ 9,610	\$ 10,789	\$ 36,208	\$ 56,921	\$ 2,222	\$ 438,251
Unsettled Escrow	<u>293,832</u>	<u>20,436</u>				<u>123,371</u>	<u>3,682</u>	<u>441,321</u>
TOTAL LIABILITIES	<u>\$ 616,333</u>	<u>\$ 20,436</u>	<u>\$ 9,610</u>	<u>\$ 10,789</u>	<u>\$ 36,208</u>	<u>\$ 180,292</u>	<u>\$ 5,904</u>	<u>\$ 879,572</u>

BANKS COUNTY
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSET AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TAX COMMISSIONER

	<u>2010</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>2011</u>
ASSETS				
Cash	\$ <u>1,267,168</u>	\$ <u>13,543,055</u>	\$ <u>14,193,890</u>	\$ <u>616,333</u>
TOTAL ASSETS	\$ <u><u>1,267,168</u></u>	\$ <u><u>13,543,055</u></u>	\$ <u><u>14,193,890</u></u>	\$ <u><u>616,333</u></u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>950,968</u>	\$ <u>13,543,055</u>	\$ <u>14,171,522</u>	\$ <u>322,501</u>
Unsettled Escrow	<u>316,200</u>		<u>22,368</u>	<u>293,832</u>
TOTAL LIABILITIES	\$ <u><u>1,267,168</u></u>	\$ <u><u>13,543,055</u></u>	\$ <u><u>14,193,890</u></u>	\$ <u><u>616,333</u></u>

SHERIFF

ASSETS				
Cash	\$ <u>17,332</u>	\$ <u>271,569</u>	\$ <u>279,291</u>	\$ <u>9,610</u>
TOTAL ASSETS	\$ <u><u>17,332</u></u>	\$ <u><u>271,569</u></u>	\$ <u><u>279,291</u></u>	\$ <u><u>9,610</u></u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>17,332</u>	\$ <u>271,569</u>	\$ <u>279,291</u>	\$ <u>9,610</u>
TOTAL LIABILITIES	\$ <u><u>17,332</u></u>	\$ <u><u>271,569</u></u>	\$ <u><u>279,291</u></u>	\$ <u><u>9,610</u></u>

PROBATE JUDGE

ASSETS				
Cash	\$ <u>5,359</u>	\$ <u>377,976</u>	\$ <u>372,546</u>	\$ <u>10,789</u>
TOTAL ASSETS	\$ <u><u>5,359</u></u>	\$ <u><u>377,976</u></u>	\$ <u><u>372,546</u></u>	\$ <u><u>10,789</u></u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>5,359</u>	\$ <u>377,976</u>	\$ <u>372,546</u>	\$ <u>10,789</u>
TOTAL LIABILITIES	\$ <u><u>5,359</u></u>	\$ <u><u>377,976</u></u>	\$ <u><u>372,546</u></u>	\$ <u><u>10,789</u></u>

FEDERAL EQUITY SHARING

ASSETS				
Cash	\$ <u>8,730</u>	\$ <u>264,207</u>	\$ <u>236,729</u>	\$ <u>36,208</u>
TOTAL ASSETS	\$ <u><u>8,730</u></u>	\$ <u><u>264,207</u></u>	\$ <u><u>236,729</u></u>	\$ <u><u>36,208</u></u>
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ <u>8,730</u>	\$ <u>264,207</u>	\$ <u>236,729</u>	\$ <u>36,208</u>
TOTAL LIABILITIES	\$ <u><u>8,730</u></u>	\$ <u><u>264,207</u></u>	\$ <u><u>236,729</u></u>	\$ <u><u>36,208</u></u>

BANKS COUNTY
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSET AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SCHEDULE 6 (Continued)

CLERK OF COURT

	2010	ADDITIONS	DEDUCTIONS	2011
ASSETS				
Cash	\$ 196,836	\$ 767,030	\$ 783,574	\$ 180,292
TOTAL ASSETS	\$ 196,836	\$ 767,030	\$ 783,574	\$ 180,292
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ 89,362	\$ 414,196	\$ 446,637	\$ 56,921
Unsettled Escrow	107,474	352,834	336,937	123,371
TOTAL LIABILITIES	\$ 196,836	\$ 767,030	\$ 783,574	\$ 180,292

MAGISTRATE

ASSETS				
Cash	\$ 14,002	\$ 99,295	\$ 107,393	\$ 5,904
TOTAL ASSETS	\$ 14,002	\$ 99,295	\$ 107,393	\$ 5,904
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ 4,196	\$ 46,491	\$ 48,465	\$ 2,222
Unsettled Escrow	9,806	52,804	58,928	3,682
TOTAL LIABILITIES	\$ 14,002	\$ 99,295	\$ 107,393	\$ 5,904

PROBATION OFFICE

ASSETS				
Cash	\$ 20,668	\$ 56,798	\$ 57,030	\$ 20,436
TOTAL ASSETS	\$ 20,668	\$ 56,798	\$ 57,030	\$ 20,436
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$	\$ 30,671	\$ 30,671	
Unsettled Escrow	20,668	26,127	26,359	20,436
TOTAL LIABILITIES	\$ 20,668	\$ 56,798	\$ 57,030	\$ 20,436

TOTALS

ASSETS				
Cash	\$ 1,530,095	\$ 15,379,930	\$ 16,030,453	\$ 879,572
TOTAL ASSETS	\$ 1,530,095	\$ 15,379,930	\$ 16,030,453	\$ 879,572
LIABILITIES				
Accounts Payable				
Due to Other Government Agencies	\$ 1,075,947	\$ 14,948,165	\$ 15,585,861	\$ 438,251
Unsettled Escrow	454,148	431,765	444,592	441,321
TOTAL LIABILITIES	\$ 1,530,095	\$ 15,379,930	\$ 16,030,453	\$ 879,572

OTHER SUPPLEMENTARY INFORMATION

BANKS COUNTY
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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>193,451</u>	108.53%
	<u>\$ 13,425,000</u>	<u>\$ 13,102,106</u>	<u>\$ 11,251,218</u>	<u>\$ 193,451</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	\$ 7,558,329	\$ 1,429	94.50%
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>12,374,386</u>	1,429	

Reconciliation to Exhibit 4

Banks County General Obligation Bonds Series 2006	
Principal	2,025,000
Interest	247,125
Less Sales Tax Allocated To Cities	0
Total Expenditure per Exhibit 4	<u>\$ 2,273,554</u>

OTHER REPORTS

DUNCAN & KITCHENS, LLC

Certified Public Accountants

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Joe Kitchens, CPA

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American Institute and
Georgia Society of
Certified Public Accountants

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

November 16, 2011

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, 2011, which collectively comprise Banks County Georgia's basic financial statements and have issued our report thereon dated November 16, 2011. Our report includes a reference to 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. Other auditors audited the financial statements of the BANKS COUNTY HEALTH DEPARTMENT, as described in our report on Banks County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit

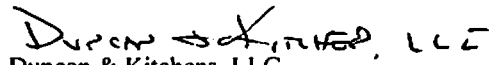
attention by those charged with governance. We consider the deficiency 10-01 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

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*.

Banks County, Georgia's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, and is not intended to be, and should not be used by anyone other than these specified parties.


Duncan & Kitchens, LLC

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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 16, 2011

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, 2011. 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, 2011.

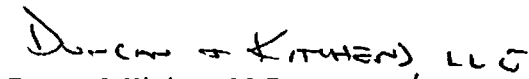
Internal Control over Compliance

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

BANKS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

<u>FEDERAL GRANT/PASS THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Grant/ Contract Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency:			
Passed through			
Georgia Environmental Finance Authority (GEFA):			
ARRA-Capitalization Grants for Clean Water			
State Revolving Funds (Federal Portion)			
Clearwell Project	66.458	DWSRF 09-015	\$ <u>1,048,001</u>
Total U.S. Environmental Protection Agency			<u>1,048,001</u>
 U.S. Department of Justice:			
Passed through the Criminal			
Justice Coordinating Council:			
Edward Byrne Memorial Justice Assistance			
Grant Program	16.738	DJ-BX-1196	10,420
		DJ-BX-1342	<u>11,957</u>
			<u>22,377</u>
 United States Department of Justice			
ARRA-Edward Byrne Memorial Justice			
Assistance Grant Program/Grants to			
States and Territories	16.804	SB-B9-0215	<u>27,150</u>
Total U.S. Department of Justice			<u>49,527</u>
 Total Expenditure of Federal Awards			\$ <u><u>1,097,528</u></u>

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

BANKS COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED JUNE 30, 2011

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.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

BANKS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

I

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

II AUDIT FINDINGS – GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

SIGNIFICANT DEFICIENCIES INTERNAL CONTROLS

09-1

Statement of Condition:

This was a prior year finding.

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.

III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no findings or questioned cost relating to Federal awards reported for the year ended June 30, 2011.