

BANKS COUNTY  
HOMER, GEORGIA  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

BANKS COUNTY  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

November 22, 2012

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, 2012, 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, 2012, which statements reflect total assets of \$245,213 as of June 30, 2012, and total revenues of \$476,290, 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, 2012, 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 22, 2012 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 combining and individual nonmajor fund financial statements and the supplemental budgetary comparison schedules, 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, 2012

EXHIBIT 1

|   | PRIMARY GOVERNMENT |               |               | COMPONENT UNITS    |                   |
|---|--------------------|---------------|---------------|--------------------|-------------------|
|   | GOVERNMENTAL       | BUSINESS-TYPE | TOTAL         | INDUSTRIAL         | BANKS COUNTY      |
|   | ACTIVITIES         | ACTIVITIES    |               | BUILDING AUTHORITY | HEALTH DEPARTMENT |
| ASSETS                                    |                    |               |               |                    |                   |
| Cash                                      | \$ 8,494,586       | \$ 3,579,999  | \$ 12,074,585 | \$                 | \$ 188,603        |
| Receivables                               |                    |               |               |                    |                   |
| Taxes                                     | 611,368            |               | 611,368       |                    |                   |
| Accounts                                  | 981,965            | 89,317        | 1,071,282     |                    | 56,610            |
| Internal Balances                         | 86,592             | (86,592)      |               |                    |                   |
| Prepaid Expenses                          | 76,260             | 75,261        | 151,521       |                    |                   |
| Restricted Assets                         |                    |               |               |                    |                   |
| Cash                                      | 7,060,879          |               | 7,060,879     |                    |                   |
| Receivables-SPLOST                        | 475,537            |               | 475,537       |                    |                   |
| Capital Assets                            |                    |               |               |                    |                   |
| Land - Non Depreciable                    | 125,375            | 1,383,039     | 1,508,414     |                    |                   |
| Depreciable Assets, Net                   | 16,062,824         | 27,606,870    | 43,669,694    | 1,236,886          |                   |
| TOTAL CAPITAL ASSETS                      | 16,188,199         | 28,989,909    | 45,178,108    | 1,236,886          |                   |
| TOTAL ASSETS                              | \$ 33,975,386      | \$ 32,647,894 | \$ 66,623,280 | \$ 1,236,886       | \$ 245,213        |
| LIABILITIES                               |                    |               |               |                    |                   |
| Current Liabilities                       |                    |               |               |                    |                   |
| Accounts Payable                          | \$ 164,197         | \$ 75,000     | \$ 239,197    | \$                 | \$ 3,585          |
| Payroll Taxes Payable                     | 136,167            |               | 136,167       |                    |                   |
| Accrued Vacation                          |                    |               |               |                    | 30,503            |
| Water Meter Deposits                      |                    | 142,407       | 142,407       |                    |                   |
| Lease Payable - Current                   | 66,276             |               | 66,276        |                    |                   |
| Long Term Notes Payable - Current Portion |                    | 192,760       | 192,760       |                    |                   |
| Bonds Payable-Current                     | 2,175,000          |               | 2,175,000     |                    |                   |
| Bond Premium                              | 48,341             |               | 48,341        |                    |                   |
| Noncurrent Liabilities                    |                    |               |               |                    |                   |
| Lease Payable                             | 467,514            |               | 467,514       |                    |                   |
| Notes Payable                             |                    | 4,018,190     | 4,018,190     |                    |                   |
| TOTAL LIABILITIES                         | 3,057,495          | 4,428,357     | 7,485,852     |                    | 34,088            |
| NET ASSETS                                |                    |               |               |                    |                   |
| Invested in Capital Assets, Net of        |                    |               |               |                    |                   |
| Related Debt                              | 11,304,409         | 24,778,959    | 36,083,368    | 1,236,886          |                   |
| Restricted for:                           |                    |               |               |                    |                   |
| Capital Projects                          | 7,536,416          |               | 7,536,416     |                    |                   |
| Unrestricted Assets                       | 12,077,066         | 3,440,578     | 15,517,644    |                    | 211,125           |
| TOTAL NET ASSETS                          | \$ 30,917,891      | \$ 28,219,537 | \$ 59,137,428 | \$ 1,236,886       | \$ 211,125        |

The accompanying notes are an integral part of this statement.



BANKS COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXHIBIT 2

| Functions/Programs                     | Program Revenues     |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Assets |                          |                      |                               |                                |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|-------------------------------|--------------------------------|
|  | Expenses             | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government                              |                          |                      | Component Units               |                                |
|  |                      |                      |                                    |                                  | Governmental Activities                         | Business-type Activities | Total                | Industrial Building Authority | Banks County Health Department |
| <b>Primary Government</b>              |                      |                      |                                    |                                  |   |                          |                      |                               |                                |
| Governmental Activities                |                      |                      |                                    |                                  |   |                          |                      |                               |                                |
| General Government                     | \$ 2,150,426         | \$ 1,503,578         | \$                                 | \$                               | \$ (646,848)                                    | \$                       | \$ (646,848)         | \$                            | \$                             |
| Judicial                               | 951,799              | 106,430              |                                    |                                  | (845,369)                                       |                          | (845,369)            |                               |                                |
| Public Safety                          | 6,255,489            | 843,731              |                                    | 15,652                           | (5,396,106)                                     |                          | (5,396,106)          |                               |                                |
| Public Works                           | 1,364,946            |                      |                                    |                                  | (1,364,946)                                     |                          | (1,364,946)          |                               |                                |
| Health and Welfare                     | 210,439              |                      |                                    |                                  | (210,439)                                       |                          | (210,439)            |                               |                                |
| Culture and Recreation                 | 604,574              | 85,257               |                                    |                                  | (519,317)                                       |                          | (519,317)            |                               |                                |
| Housing and Development                | 207,791              |                      |                                    |                                  | (207,791)                                       |                          | (207,791)            |                               |                                |
| Law Library                            | 6,537                |                      |                                    |                                  | (6,537)   |                          | (6,537)              |                               |                                |
| Family Connections                     | 49,361               |                      | 43,518                             |                                  | (5,843)   |                          | (5,843)              |                               |                                |
| Transportation                         | 76,255               | 12,973               | 31,641                             |                                  | (31,641)  |                          | (31,641)             |                               |                                |
| Tourism and Promotion                  | 133,284              |                      |                                    |                                  | (133,284)                                       |                          | (133,284)            |                               |                                |
| Interest and Fiscal Charges            | 121,672              |                      |                                    |                                  | (121,672)                                       |                          | (121,672)            |                               |                                |
| Total Governmental Activities          | <u>12,132,573</u>    | <u>2,551,969</u>     | <u>75,159</u>                      | <u>15,652</u>                    | <u>(9,489,793)</u>                              |                          | <u>(9,489,793)</u>   |                               |                                |
| Business-type Activities               |                      |                      |                                    |                                  |   |                          |                      |                               |                                |
| Public Utilities                       | 2,206,395            | 1,447,574            |                                    | 27,446                           |   | (731,375)                | (731,375)            |                               |                                |
| Development Authority                  | 125,951              | 23,050               |                                    |                                  |   | (102,901)                | (102,901)            |                               |                                |
| Total Business-type Activities         | <u>2,332,346</u>     | <u>1,470,624</u>     |                                    | <u>27,446</u>                    |   | <u>(834,276)</u>         | <u>(834,276)</u>     |                               |                                |
| <b>Total Primary Government</b>        | <u>\$ 14,464,919</u> | <u>\$ 4,022,593</u>  | <u>\$ 75,159</u>                   | <u>\$ 43,098</u>                 | <u>(9,489,793)</u>                              | <u>(834,276)</u>         | <u>(10,324,069)</u>  |                               |                                |
| <b>Component Units:</b>                |                      |                      |                                    |                                  |   |                          |                      |                               |                                |
| Industrial Building Authority          | \$ 37,482            | \$                   | \$                                 | \$                               |   |                          |                      | (37,482)                      |                                |
| Banks County Health Department         | 473,363              | 172,812              | 303,478                            |                                  |   |                          |                      |                               | 2,927                          |
|  | <u>\$ 510,845</u>    | <u>\$ 172,812</u>    | <u>\$ 303,478</u>                  | <u>\$</u>                        | <u>\$</u>                                       | <u>\$</u>                | <u>\$</u>            | <u>\$ (37,482)</u>            | <u>\$ 2,927</u>                |
| <b>General Revenues:</b>               |                      |                      |                                    |                                  |   |                          |                      |                               |                                |
| Taxes:                                 |                      |                      |                                    |                                  |   |                          |                      |                               |                                |
| Property                               |                      |                      |                                    |                                  | \$ 4,865,118                                    | \$                       | \$ 4,865,118         |                               |                                |
| Local Option Sales Tax                 |                      |                      |                                    |                                  | 2,537,376                                       |                          | 2,537,376            |                               |                                |
| Special Purpose Local Option Sales Tax |                      |                      |                                    |                                  | 3,075,751                                       |                          | 3,075,751            |                               |                                |
| Beverage                               |                      |                      |                                    |                                  | 215,967   |                          | 215,967              |                               |                                |
| Other                                  |                      |                      |                                    |                                  | 1,015,743                                       |                          | 1,015,743            |                               |                                |
| Unrestricted investment earnings       |                      |                      |                                    |                                  | 97,596  | 26,692                   | 124,288              |                               |                                |
| Transfers                              |                      |                      |                                    |                                  | (154,207)                                       | 154,207                  |                      |                               |                                |
| Total general revenues and transfers   |                      |                      |                                    |                                  | <u>11,653,344</u>                               | <u>180,899</u>           | <u>11,834,243</u>    |                               |                                |
| Change in Assets                       |                      |                      |                                    |                                  | 2,163,551                                       | (653,377)                | 1,510,174            | (37,482)                      | 2,927                          |
| Net Assets - Beginning 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>                 |
| Net Assets - End of Year               |                      |                      |                                    |                                  | <u>\$ 30,917,891</u>                            | <u>\$ 28,219,537</u>     | <u>\$ 59,137,428</u> | <u>\$ 1,236,886</u>           | <u>\$ 211,125</u>              |

BANKS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

EXHIBIT 3

|   | GENERAL<br>FUND      | E-911<br>FUND      | 2006<br>SPLOST      | CAPITAL<br>FUND     | NONMAJOR<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|----------------------|--------------------|---------------------|---------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                                 |                      |                    |                     |                     |                   |                                |
| Cash  | \$ 7,935,967         | \$ 358,028         | \$                  | \$                  | \$ 200,591        | \$ 8,494,586                   |
| Restricted Cash                               |                      |                    | 4,910,830           | 2,150,049           |                   | 7,060,879                      |
| Receivables                                   |                      |                    |                     |                     |                   |                                |
| Taxes   | 611,368              |                    |                     |                     |                   | 611,368                        |
| SPLOST  |                      |                    | 475,537             |                     |                   | 475,537                        |
| Accounts                                      | 981,965              |                    |                     |                     |                   | 981,965                        |
| Due From Other Funds                          | 3,181,996            |                    |                     |                     |                   | 3,181,996                      |
| Prepaid Expenses                              | 76,260               |                    |                     |                     |                   | 76,260                         |
| <b>TOTAL ASSETS</b>                           | <u>\$ 12,787,556</u> | <u>\$ 358,028</u>  | <u>\$ 5,386,367</u> | <u>\$ 2,150,049</u> | <u>\$ 200,591</u> | <u>\$ 20,882,591</u>           |
| <b>LIABILITIES</b>                            |                      |                    |                     |                     |                   |                                |
| Accounts Payable                              | \$ 137,451           | \$ 6,424           | \$                  | \$                  | \$ 20,322         | \$ 164,197                     |
| Payroll Taxes Payable                         | 136,167              |                    |                     |                     |                   | 136,167                        |
| Deferred Revenue - Taxes                      | 349,344              |                    |                     |                     |                   | 349,344                        |
| Due to Other Funds                            |                      | 3,095,404          |                     |                     |                   | 3,095,404                      |
| <b>TOTAL LIABILITIES</b>                      | <u>622,962</u>       | <u>3,101,828</u>   |                     |                     | <u>20,322</u>     | <u>3,745,112</u>               |
| <b>FUND BALANCES</b>                          |                      |                    |                     |                     |                   |                                |
| Nonspendable:                                 |                      |                    |                     |                     |                   |                                |
| Prepaid expenditure                           | 76,260               |                    |                     |                     |                   | 76,260                         |
| Long Term Interfund                           |                      |                    |                     |                     |                   |                                |
| Receivable                                    | 3,095,404            |                    |                     |                     |                   | 3,095,404                      |
| Restricted:                                   |                      |                    |                     |                     |                   |                                |
| Capital outlay projects                       |                      |                    | 5,386,367           |                     |                   | 5,386,367                      |
| Judicial programs                             |                      |                    |                     |                     | 85,110            | 85,110                         |
| Public safety programs                        |                      |                    |                     |                     | 100,148           | 100,148                        |
| Health and welfare programs                   |                      |                    |                     |                     | 2,339             | 2,339                          |
| Committed                                     |                      |                    |                     |                     |                   |                                |
| Capital outlay projects                       |                      |                    |                     | 2,150,049           |                   | 2,150,049                      |
| Unassigned                                    | 8,992,930            | (2,743,800)        |                     |                     | (7,328)           | 6,241,802                      |
| <b>TOTAL FUND BALANCES</b>                    | <u>12,164,594</u>    | <u>(2,743,800)</u> | <u>5,386,367</u>    | <u>2,150,049</u>    | <u>180,269</u>    | <u>17,137,479</u>              |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCE</b> | <u>\$ 12,787,556</u> | <u>\$ 358,028</u>  | <u>\$ 5,386,367</u> | <u>\$ 2,150,049</u> | <u>\$ 200,591</u> | <u>\$ 20,882,591</u>           |

Adjustments to the Statement of Net Assets

|  |                      |
|--|----------------------|
| Fund Balance   | \$ 17,137,479        |
| Capital assets \$25,883,822, net of accumulated depreciation of (\$9,695,623) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds | 16,188,199           |
| Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the fund. These are deferred property taxes.   | 349,344              |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds   |                      |
| Leases Payable   | (533,790)            |
| Bond Premium   | (48,341)             |
| General Obligation Bonds Payable   | (2,175,000)          |
| <b>Total Net Assets of Governmental Activities (Exhibit 1)</b>   | <u>\$ 30,917,891</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, 2012

EXHIBIT 4

| REVENUES   | GENERAL<br>FUND      | E-911<br>FUND         | 2001<br>SPLOST   | 2006<br>SPLOST      | CAPITAL<br>FUND     | NONMAJOR<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|----------------------|-----------------------|------------------|---------------------|---------------------|-------------------|--------------------------------|
| Taxes  |                      |                       |                  |                     |                     |                   |                                |
| Property Tax   | \$ 5,064,978         | \$                    | \$               | \$                  | \$                  | \$                | \$ 5,064,978                   |
| Local Option Sales Tax                                       | 2,537,376            |                       |                  |                     |                     |                   | 2,537,376                      |
| Special Purpose Local Option Sales Tax                       |                      |                       |                  | 3,075,751           |                     |                   | 3,075,751                      |
| Beverage   | 215,967              |                       |                  |                     |                     |                   | 215,967                        |
| Other  | 685,840              |                       |                  |                     |                     | 329,903           | 1,015,743                      |
| License and Permits  | 99,190               |                       |                  |                     |                     |                   | 99,190                         |
| Fines & Forfeitures  | 553,938              |                       |                  |                     |                     |                   | 553,938                        |
| Grants   |                      |                       |                  |                     |                     | 95,811            | 95,811                         |
| Local Matching   |                      |                       |                  |                     |                     | 37,033            | 37,033                         |
| Fees   | 1,327,018            | 326,635               |                  |                     |                     | 119,403           | 1,773,056                      |
| Interest   | 76,356               |                       | 888              | 7,971               | 12,379              | 2                 | 97,596                         |
| Other  | 46,501               |                       | 29,969           |                     | 7,282               |                   | 83,752                         |
| TOTAL REVENUES   | <u>10,607,164</u>    | <u>326,635</u>        | <u>30,857</u>    | <u>3,083,722</u>    | <u>19,661</u>       | <u>582,152</u>    | <u>14,650,191</u>              |
| EXPENDITURES   |                      |                       |                  |                     |                     |                   |                                |
| Current:   |                      |                       |                  |                     |                     |                   |                                |
| General Government   | 2,017,563            |                       |                  |                     |                     | 5,000             | 2,022,563                      |
| Judicial   | 870,090              |                       |                  |                     | 81,709              |                   | 951,799                        |
| Public Safety  | 4,923,773            | 675,182               |                  |                     | 63,041              | 84,330            | 5,746,326                      |
| Public Works   | 620,931              |                       |                  |                     | 7,956               |                   | 628,887                        |
| Health and Welfare   | 210,439              |                       |                  |                     |                     |                   | 210,439                        |
| Culture and Recreation                                       | 604,574              |                       |                  |                     |                     |                   | 604,574                        |
| Housing and Development                                      | 203,861              |                       |                  |                     |                     |                   | 203,861                        |
| Law Library  |                      |                       |                  |                     |                     | 6,537             | 6,537                          |
| Family Connections   |                      |                       |                  |                     |                     | 49,361            | 49,361                         |
| Transportation   |                      |                       |                  |                     |                     | 76,255            | 76,255                         |
| Tourism and Promotion  |                      |                       |                  |                     |                     | 133,284           | 133,284                        |
| Debt Service   |                      |                       |                  |                     |                     |                   |                                |
| Principal Retirement   | 60,236               |                       |                  | 2,100,000           |                     |                   | 2,160,236                      |
| Interest   | 19,264               |                       |                  | 150,750             |                     |                   | 170,014                        |
| Capital Expenditures   |                      |                       | 488,198          | 140,853             |                     |                   | 629,051                        |
| TOTAL EXPENDITURES   | <u>9,530,731</u>     | <u>675,182</u>        | <u>488,198</u>   | <u>2,391,603</u>    | <u>152,706</u>      | <u>354,767</u>    | <u>13,593,187</u>              |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>1,076,433</u>     | <u>(348,547)</u>      | <u>(457,341)</u> | <u>692,119</u>      | <u>(133,045)</u>    | <u>227,385</u>    | <u>1,057,004</u>               |
| OTHER FINANCING SOURCES (USES)                               |                      |                       |                  |                     |                     |                   |                                |
| Transfers from Other County Funds                            | 217,412              |                       |                  |                     | 300,000             |                   | 517,412                        |
| Transfers (to) Other County Funds                            | (215,000)            | (85,000)              |                  |                     | (175,000)           | (196,619)         | (671,619)                      |
| Total Other Financing<br>Sources (Uses)                      | <u>2,412</u>         | <u>(85,000)</u>       |                  |                     | <u>125,000</u>      | <u>(196,619)</u>  | <u>(154,207)</u>               |
| NET CHANGE IN FUND BALANCE                                   | 1,078,845            | (433,547)             | (457,341)        | 692,119             | (8,045)             | 30,766            | 902,797                        |
| FUND BALANCE - BEGINNING 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>              |
| FUND BALANCE - END<br>OF YEAR                                | <u>\$ 12,164,594</u> | <u>\$ (2,743,800)</u> | <u>\$</u>        | <u>\$ 5,386,367</u> | <u>\$ 2,150,049</u> | <u>\$ 180,269</u> | <u>\$ 17,137,479</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, 2012

Adjustments to the Statement of Activities

|   |                     |
|---|---------------------|
| Net Change In Fund Balance  | \$ 902,797          |
| 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 (747,964) exceeded Capital Outlays(1,146). | (746,818)           |
| 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.   | (201,006)           |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.  | <u>2,208,578</u>    |
| Change in Net Assets of Governmental Activities (Exhibit 2)   | <u>\$ 2,163,551</u> |

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

BANKS COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

EXHIBIT 5

|  | <u>BUSINESS-TYPE ACTIVITIES</u> |                                  |                          |
|--|---------------------------------|----------------------------------|--------------------------|
|  | <u>PUBLIC<br/>UTILITIES</u>     | <u>DEVELOPMENT<br/>AUTHORITY</u> | <u>TOTAL</u>             |
| <b>ASSETS</b>                                      |                                 |                                  |                          |
| Current Assets:                                    |                                 |                                  |                          |
| Cash   | \$ 1,241,970                    | \$ 2,338,029                     | \$ 3,579,999             |
| Accounts Receivable                                | 89,317                          |                                  | 89,317                   |
| Prepaid Items                                      | 75,261                          |                                  | 75,261                   |
| Total Current Assets                               | <u>1,406,548</u>                | <u>2,338,029</u>                 | <u>3,744,577</u>         |
| Non-current Assets:                                |                                 |                                  |                          |
| Capital Assets                                     |                                 |                                  |                          |
| Water Plant and Distribution System                | 33,586,950                      |                                  | 33,586,950               |
| Equipment  | 132,842                         |                                  | 132,842                  |
| Dam  | 3,878,261                       |                                  | 3,878,261                |
| Land   | 1,337,939                       | 45,100                           | 1,383,039                |
| Road   | 175,069                         |                                  | 175,069                  |
| Vehicle  | 77,196                          |                                  | 77,196                   |
| Accumulated Depreciation                           | (10,243,448)                    |                                  | (10,243,448)             |
| Total Non-current Assets                           | <u>28,944,809</u>               | <u>45,100</u>                    | <u>28,989,909</u>        |
| <br>TOTAL ASSETS                                   | <br><u>\$ 30,351,357</u>        | <br><u>\$ 2,383,129</u>          | <br><u>\$ 32,734,486</u> |
| <br><b>LIABILITIES AND FUND EQUITY</b>             |                                 |                                  |                          |
| Current Liabilities                                |                                 |                                  |                          |
| Accounts Payable                                   | \$ 75,000                       | \$                               | \$ 75,000                |
| Due to General Fund                                | 86,592                          |                                  | 86,592                   |
| Water Meter Deposits                               | 142,407                         |                                  | 142,407                  |
| Long-Term Notes Payable - Current Portion          | 192,760                         |                                  | 192,760                  |
| Total Current Liabilities                          | <u>496,759</u>                  |                                  | <u>496,759</u>           |
| Non-current Liabilities                            |                                 |                                  |                          |
| Long-term Notes Payable                            | 4,018,190                       |                                  | 4,018,190                |
| Total Non-current Liabilities                      | <u>4,018,190</u>                |                                  | <u>4,018,190</u>         |
| <br>TOTAL LIABILITIES                              | <br><u>4,514,949</u>            |                                  | <br><u>4,514,949</u>     |
| <br><b>NET ASSETS</b>                              |                                 |                                  |                          |
| Invested in Capital Assets, Net of<br>Related Debt | 24,778,959                      |                                  | 24,778,959               |
| Unrestricted Assets                                | 1,057,449                       | 2,383,129                        | 3,440,578                |
| TOTAL NET ASSETS                                   | <u>25,836,408</u>               | <u>2,383,129</u>                 | <u>28,219,537</u>        |
| <br>TOTAL LIABILITIES AND NET ASSETS               | <br><u>\$ 30,351,357</u>        | <br><u>\$ 2,383,129</u>          | <br><u>\$ 32,734,486</u> |

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXHIBIT 6

|   | BUSINESS-TYPE ACTIVITIES |                          |                      |
|---|--------------------------|--------------------------|----------------------|
|   | PUBLIC<br>UTILITIES      | DEVELOPMENT<br>AUTHORITY | TOTAL                |
| OPERATING REVENUES                        |                          |                          |                      |
| Charges for Service                       | \$ 1,447,574             | \$ 23,050                | \$ 1,470,624         |
| TOTAL OPERATING REVENUES                  | <u>1,447,574</u>         | <u>23,050</u>            | <u>1,470,624</u>     |
| OPERATING EXPENSES                        |                          |                          |                      |
| Salaries                                  | 466,116                  | 52,331                   | 518,447              |
| Water Purchased                           | 66,347                   |                          | 66,347               |
| Payroll Tax                               | 41,461                   | 4,003                    | 45,464               |
| Training                                  |                          | 1,040                    | 1,040                |
| Advertising and Promotion                 |                          | 2,800                    | 2,800                |
| Employee Retirement                       | 9,752                    |                          | 9,752                |
| Office                                    | 21,549                   | 6,097                    | 27,646               |
| Insurance                                 | 89,366                   |                          | 89,366               |
| Testing                                   | 95,237                   |                          | 95,237               |
| Engineering Services                      | 81,398                   | 26,285                   | 107,683              |
| Professional Fees                         | 0                        | 31,184                   | 31,184               |
| Utilities                                 | 168,851                  |                          | 168,851              |
| Vehicle Expense                           | 23,827                   | 1,197                    | 25,024               |
| Repairs & Maintenance                     | 130,636                  |                          | 130,636              |
| Depreciation                              | 871,526                  |                          | 871,526              |
| Telephone                                 | 13,310                   | 1,014                    | 14,324               |
| Uniforms                                  | 1,922                    |                          | 1,922                |
| TOTAL OPERATING EXPENSES                  | <u>2,081,298</u>         | <u>125,951</u>           | <u>2,207,249</u>     |
| OPERATING INCOME                          | <u>(633,724)</u>         | <u>(102,901)</u>         | <u>(736,625)</u>     |
| NON-OPERATING REVENUES (EXPENSE)          |                          |                          |                      |
| Interest Income                           | 20,220                   | 6,472                    | 26,692               |
| Interest Expense                          | (125,097)                |                          | (125,097)            |
| TOTAL NON-OPERATING REVENUE (EXPENSE)     | <u>(104,877)</u>         | <u>6,472</u>             | <u>(98,405)</u>      |
| INCOME BEFORE TRANSFERS AND CONTRIBUTIONS | (738,601)                | (96,429)                 | (835,030)            |
| TRANSFERS AND CONTRIBUTIONS               |                          |                          |                      |
| Transfers In (Out)                        | (2,325,351)              | 2,479,558                | 154,207              |
| Capital Contributions                     | 27,446                   |                          | 27,446               |
| TOTAL TRANSFERS AND CONTRIBUTIONS         | <u>(2,297,905)</u>       | <u>2,479,558</u>         | <u>181,653</u>       |
| NET INCOME (LOSS)                         | (3,036,506)              | 2,383,129                | (653,377)            |
| TOTAL NET ASSETS - BEGINNING OF YEAR      | <u>28,872,914</u>        |                          | <u>28,872,914</u>    |
| TOTAL NET ASSETS - END OF YEAR            | \$ <u>25,836,408</u>     | \$ <u>2,383,129</u>      | \$ <u>28,219,537</u> |

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXHIBIT 7

|   | <u>BUSINESS TYPE ACTIVITIES</u> |                                  |                     |
|---|---------------------------------|----------------------------------|---------------------|
|   | <u>PUBLIC<br/>UTILITIES</u>     | <u>DEVELOPMENT<br/>AUTHORITY</u> | <u>TOTAL</u>        |
| CASH FLOWS FROM OPERATING ACTIVITIES  |                                 |                                  |                     |
| Receipts from Customers   | \$ 1,447,574                    | \$ 23,050                        | \$ 1,470,624        |
| Payments to Suppliers   | (703,621)                       | (73,620)                         | (777,241)           |
| Payments to Employees   | (466,116)                       | (52,331)                         | (518,447)           |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>277,837</u>                  | <u>(102,901)</u>                 | <u>174,936</u>      |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES   |                                 |                                  |                     |
| Transfer( to) from other funds  | <u>(2,325,351)</u>              | <u>2,479,558</u>                 | <u>154,207</u>      |
| NET CASH USED BY NONCAPITAL AND RELATED<br>FINANCING ACTIVITIES                                     | <u>(2,325,351)</u>              | <u>2,479,558</u>                 | <u>154,207</u>      |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES  |                                 |                                  |                     |
| Acquisition and Construction of Capital Assets  | (76,310)                        | (45,100)                         | (121,410)           |
| Proceeds from Debt  | 43,958                          |                                  | 43,958              |
| Capital Contributions   | 27,446                          |                                  | 27,446              |
| Principal Paid on Notes Payable   | (159,068)                       |                                  | (159,068)           |
| Interest Paid On Notes Payable  | <u>(125,097)</u>                |                                  | <u>(125,097)</u>    |
| NET CASH USED FOR CAPITAL AND RELATED<br>FINANCING ACTIVITIES                                       | <u>(289,071)</u>                | <u>(45,100)</u>                  | <u>(334,171)</u>    |
| CASH FLOWS FROM INVESTING ACTIVITIES  |                                 |                                  |                     |
| Interest Earned   | <u>20,220</u>                   | <u>6,472</u>                     | <u>26,692</u>       |
| NET CASH PROVIDED BY INVESTING ACTIVITIES   | <u>20,220</u>                   | <u>6,472</u>                     | <u>26,692</u>       |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | (2,316,365)                     | 2,338,029                        | 21,664              |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR  | <u>3,558,335</u>                | <u>0</u>                         | <u>3,558,335</u>    |
| CASH AND CASH EQUIVALENTS AT END OF YEAR  | <u>\$ 1,241,970</u>             | <u>\$ 2,338,029</u>              | <u>\$ 3,579,999</u> |
| Reconciliation of Operating Income (Loss) to Net Cash<br>Provided by Operating Activities           |                                 |                                  |                     |
| Operating Income (Loss)   | \$ (633,724)                    | \$ (102,901)                     | \$ (736,625)        |
| Adjustments To Reconcile Operating<br>Income (Loss) To Net Cash Provided By<br>Operating Activities |                                 |                                  |                     |
| Depreciation  | 871,526                         |                                  | 871,526             |
| Changes in Assets and Liabilities   |                                 |                                  |                     |
| (Increase) Decrease in Accounts Receivable  | (9,625)                         |                                  | (9,625)             |
| Increase (Decrease) in Deposits   | <u>49,660</u>                   |                                  | <u>49,660</u>       |
| TOTAL ADJUSTMENTS   |                                 |                                  |                     |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   | <u>\$ 277,837</u>               | <u>\$ (102,901)</u>              | <u>\$ 174,936</u>   |

The accompanying notes are an integral part of this statement.

BANKS COUNTY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2012

EXHIBIT 8

|                          | AGENCY<br>FUNDS     |
|--------------------------|---------------------|
| ASSETS                   |                     |
| Cash                     | \$ 1,052,110        |
| TOTAL ASSETS             | <u>\$ 1,052,110</u> |
| <br>LIABILITIES          |                     |
| Due to Other Governments | \$ 614,980          |
| Unsettled Escrow         | 437,130             |
| TOTAL LIABILITIES        | <u>1,052,110</u>    |

The accompanying notes are an integral part of this statement.



BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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, 2012

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, 2012

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 by 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* is used to account for the County's share of telephone fees for the operation of the 911 emergency system.

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, 2012

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 fund* 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.

The *Development Authority enterprise fund* accounts for activities of the Banks County Development Authority, which exists to promote business development in the County.

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, 2011 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, 2012

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, 2012

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. Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items acquired subsequent to July 1, 2003) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. 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.

**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, 2012

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**

|   | Governmental<br>Activities | Enterprise<br>Fund   | Component<br>Unit   |
|---|----------------------------|----------------------|---------------------|
| Invested in capital asset, net of related debt: |                            |                      |                     |
| Cost of capital assets                          | \$ 25,883,822              | \$ 39,188,254        | \$ 1,236,886        |
| Accumulated depreciation                        | (9,695,623)                | (10,243,448)         |                     |
| Book value                                      | 16,188,199                 | 28,944,809           | 1,236,886           |
| Capital Related Debt                            | (2,708,789)                | (4,210,950)          |                     |
| Total   | \$ <u>13,479,410</u>       | \$ <u>24,733,859</u> | \$ <u>1,236,886</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, 2012

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 | \$ 76,260           |
| <i>Long-term interfund receivable</i> - For the amount due from E-911 Fund        | <u>3,095,404</u>    |
|   | \$ <u>3,171,664</u> |



BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 2 – (Continued)

**Restricted:**

**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

5,386,367

**Nonmajor Special Revenue Funds**

*Judicial Programs:*

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

14,567

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

19,798

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

50,745

*Public Safety Programs:*

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

9,955

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

1,816

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

88,377

*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

2,339

\$ 5,573,964

**Committed:**

**Capital Projects Fund**

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

\$ 2,150,049

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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, 2012 was 46 days. At June 30, 2012, the County's balance in Georgia Fund 1 was \$2,997.

**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, 2012

NOTE 4 – (Continued)

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

NOTE 5– DEPOSITS

At June 30, 2012 the carrying amount of the County's deposits was \$20,187,574 and the bank balance was \$ 19,279,510. All bank balances of deposits as of June 30, 2012 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, 2012 consisted of the following:

|                       |                     |
|-----------------------|---------------------|
| SPLOST                | \$ 4,910,830        |
| Capital Projects Fund | 2,150,049           |
| Total Restricted Cash | <u>\$ 7,060,879</u> |

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of the following:

|                   | <u>Governmental<br/>Activities</u> | <u>Enterprise<br/>Fund</u> | <u>SPLOST</u>     | <u>Total</u>        |
|-------------------|------------------------------------|----------------------------|-------------------|---------------------|
| Receivables:      |                                    |                            |                   |                     |
| Taxes             | \$ 611,368                         | \$                         | \$                | \$ 611,368          |
| Intergovernmental |                                    |                            | 475,537           | 475,537             |
| Accounts          | <u>981,965</u>                     | <u>89,317</u>              |                   | <u>1,071,282</u>    |
| Total Receivables | \$ <u>1,593,333</u>                | \$ <u>89,317</u>           | \$ <u>475,537</u> | \$ <u>2,158,187</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, 2012 on property values. Taxes were levied on October 20, 2011 for the 2011 tax year, and were due on December 20, 2011. All unpaid taxes levied on October 20, 2011 become delinquent as of December 21, 2011. Interest and penalties accrue after December 21, 2011.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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, 2012, 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>3,095,403</u>    |
| Total                  |                     | <u>\$ 3,181,995</u> |

INTERFUND TRANSFERS

|                       | <u>Major Funds</u> |                     |                    |                    | <u>Nonmajor Funds</u> |                 |
|-----------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------|
|                       | <u>General</u>     | <u>Capital Fund</u> | <u>E-911 Fund</u>  | <u>Proprietary</u> | <u>Governmental</u>   | <u>Combined</u> |
| Transfer Out To:      |                    |                     |                    |                    |                       |                 |
| <b>Major Funds</b>    |                    |                     |                    |                    |                       |                 |
| General               | \$ (215,000)       | \$                  | \$ (85,000)        | \$ (20,793)        | \$ (196,619)          | \$ (217,412)    |
| Capital Fund          |                    | (175,000)           |                    |                    |                       | (300,000)       |
| Proprietary Fund      |                    |                     |                    | (2,304,558)        |                       | (2,479,558)     |
| Transfers in from:    |                    |                     |                    |                    |                       |                 |
| <b>Major Funds</b>    |                    |                     |                    |                    |                       |                 |
| General               |                    | 215,000             |                    |                    |                       | 215,000         |
| E-911                 |                    | 85,000              |                    |                    |                       | 85,000          |
| Capital Fund          |                    |                     |                    | 175,000            |                       | 175,000         |
| Proprietary           | 20,793             |                     |                    | 2,304,558          |                       | 2,325,351       |
| <b>Nonmajor Funds</b> |                    |                     |                    |                    |                       |                 |
| Governmental          | <u>196,619</u>     |                     |                    |                    |                       | <u>196,619</u>  |
| Total                 | \$ <u>2,412</u>    | \$ <u>125,000</u>   | \$ <u>(85,000)</u> | \$ <u>154,207</u>  | \$ <u>(196,619)</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, 2012

NOTE 9 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

**Primary Government:**

|   | Balance<br>07/01/11 | <u>Additions</u>    | <u>Deletions</u> | Balance<br>06/30/12  |
|---|---------------------|---------------------|------------------|----------------------|
| <b>Capital Assets Not being Depreciated</b> |                     |                     |                  |                      |
| Land  | \$ 125,375          | \$ _____            | \$ _____         | \$ 125,375           |
| <b>Depreciable Assets</b>                   |                     |                     |                  |                      |
| Building                                    | \$ 12,997,882       | \$ _____            | \$ _____         | \$ 12,997,882        |
| Furniture & Equipment                       | 1,048,857           |                     |                  | 1,048,857            |
| Fire Equipment                              | 3,169,187           |                     |                  | 3,169,187            |
| Machinery & Equipment                       | 4,572,153           |                     |                  | 4,572,153            |
| Jail  | 3,741,174           |                     |                  | 3,741,174            |
| Recreation                                  | 229,194             |                     |                  | 229,194              |
| Total Depreciable Assets                    | <u>25,758,447</u>   | <u>_____</u>        | <u>_____</u>     | <u>25,758,447</u>    |
| Less: Accumulated Depreciation              |                     |                     |                  |                      |
| Building                                    | (2,148,935)         | (192,796)           |                  | (2,341,731)          |
| Furniture & Equipment                       | (244,906)           | (23,081)            |                  | (267,987)            |
| Fire Equipment                              | (2,846,097)         | (281,664)           |                  | (3,127,761)          |
| Machinery & Equipment                       | (3,561,308)         | (228,137)           | 58,683           | (3,730,762)          |
| Jail  | (176,982)           | (19,077)            |                  | (196,059)            |
| Recreation                                  | (28,114)            | (3,209)             |                  | (31,323)             |
| Total Accumulated Depreciation              | <u>(9,006,342)</u>  | <u>(747,964)</u>    | <u>58,683</u>    | <u>(9,695,623)</u>   |
| Net Depreciable Assets                      | <u>16,752,105</u>   | <u>(747,964)</u>    | <u>58,683</u>    | <u>16,062,824</u>    |
| Governmental activities assets, net         | <u>\$16,877,480</u> | <u>\$ (747,964)</u> | <u>\$ 58,683</u> | <u>\$ 16,188,199</u> |

Depreciation was charged to governmental functions as follows:

|                                   |                   |
|-----------------------------------|-------------------|
| General Government Administration | \$ 476,712        |
| Recreation                        | 22,439            |
| Public Safety                     | <u>248,813</u>    |
| Total                             | <u>\$ 747,964</u> |

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 9 – (Continued)

**Business-Type Activities:**

|   | Balance<br>07/01/11  | Additions           | Deletions       | Balance<br>06/30/12  |
|---|----------------------|---------------------|-----------------|----------------------|
| <b>Capital Assets Not being Depreciated</b> |                      |                     |                 |                      |
| Land  | \$ 1,337,939         | \$ _____            | \$ _____        | \$ 1,337,939         |
| <b>Depreciable Assets</b>                   |                      |                     |                 |                      |
| Plant                                       | \$ 33,510,637        | \$ 76,313           | \$ _____        | \$ 33,586,950        |
| Furniture & Equipment                       | 132,842              |                     |                 | 132,842              |
| Road  | 175,069              |                     |                 | 175,069              |
| Dam   | 3,878,261            |                     |                 | 3,878,261            |
| Vehicles                                    | 77,196               |                     |                 | 77,196               |
| Total Depreciable Assets                    | <u>37,774,005</u>    | <u>76,313</u>       | <u>_____</u>    | <u>37,850,318</u>    |
| Less: Accumulated Depreciation              |                      |                     |                 |                      |
| Plant                                       | (7,902,345)          | (745,029)           |                 | (8,647,374)          |
| Furniture & Equipment                       | (75,637)             | (6,510)             |                 | (82,147)             |
| Road  | (57,805)             | (4,976)             |                 | (62,781)             |
| Dam   | (1,280,453)          | (110,218)           |                 | (1,390,671)          |
| Vehicles                                    | (55,682)             | (4,793)             |                 | (60,475)             |
| Total Accumulated Depreciation              | <u>(9,371,922)</u>   | <u>(871,526)</u>    | <u>_____</u>    | <u>(10,243,448)</u>  |
| Net Depreciable Assets                      | <u>28,402,083</u>    | <u>(795,213)</u>    | <u>_____</u>    | <u>27,606,870</u>    |
| Business -Type activities assets; net       | <u>\$ 29,740,022</u> | <u>\$ (795,213)</u> | <u>\$ _____</u> | <u>\$ 28,944,809</u> |

**Discretely Presented Component Units:**

**Banks County Industrial Building Authority** – Activity for the fiscal year ended June 30, 2012 was as follows:

|                               | Balance<br>07/01/11 | Additions          | Deletions       | Balance<br>06/30/12 |
|-------------------------------|---------------------|--------------------|-----------------|---------------------|
| Recreation Building           | \$ 1,499,260        | \$ _____           | \$ _____        | \$ 1,499,260        |
| Less Accumulated Depreciation | <u>(224,892)</u>    | <u>(37,482)</u>    | <u>_____</u>    | <u>(262,374)</u>    |
| Net Depreciable Assets        | <u>\$ 1,274,368</u> | <u>\$ (37,482)</u> | <u>\$ _____</u> | <u>\$ 1,236,886</u> |

**Banks County Health Department** – Activity for the year ended June 30, 2012 was as follows:

|                               | Balance<br>07/01/11 | Additions       | Deletions       | Balance<br>06/30/12 |
|-------------------------------|---------------------|-----------------|-----------------|---------------------|
| Equipment                     | \$ 7,167            | \$ _____        | \$ _____        | \$ 7,167            |
| Less Accumulated Depreciation | <u>(7,167)</u>      | <u>_____</u>    | <u>_____</u>    | <u>(7,167)</u>      |
| Net Depreciable Assets        | <u>\$ _____</u>     | <u>\$ _____</u> | <u>\$ _____</u> | <u>\$ _____</u>     |

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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, 2012:

**Governmental Activities:**

|                  | Beginning<br><u>Balance</u> | <u>Additions</u> | <u>Payments</u>        | Ending<br><u>Balance</u> | Due Within<br><u>One Year</u> |
|------------------|-----------------------------|------------------|------------------------|--------------------------|-------------------------------|
| Bonds Payable    | \$ 4,275,000.00             |                  | \$ 2,100,000.00        | \$ 2,175,000.00          | \$2,175,000.00                |
| Unamortized      |                             |                  |                        |                          |                               |
| Bond Premium     | 96,683.00                   |                  | 48,342.00              | 48,341.00                | 48,341.00                     |
| Obligation Under |                             |                  |                        |                          |                               |
| Capital Leases   | <u>594,025.30</u>           |                  | <u>60,235.97</u>       | <u>533,789.33</u>        | <u>60,235.96</u>              |
|                  | \$ <u>4,965,708.30</u>      | \$ _____         | \$ <u>2,208,577.97</u> | \$ <u>2,757,130.33</u>   | \$ <u>2,283,576.96</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 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.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10 – (Continued)

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, 2012 are as follows:

| Year End<br><u>June 30</u> | <u>Principal</u>       | <u>Interest</u>     | <u>Total</u>           |
|----------------------------|------------------------|---------------------|------------------------|
| 2013                       | \$ <u>2,175,000.00</u> | \$ <u>50,625.00</u> | \$ <u>2,225,625.00</u> |
|                            | \$ <u>2,175,000.00</u> | \$ <u>50,625.00</u> | \$ <u>2,225,625.00</u> |

**Business Type Activities:**

|                            | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Payments</u>      | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|----------------------------|------------------------------|----------------------|----------------------|---------------------------|--------------------------------|
| Long Term<br>Notes Payable | \$ <u>3,559,701.47</u>       | \$ <u>810,316.13</u> | \$ <u>159,067.82</u> | \$ <u>4,210,949.78</u>    | \$ <u>192,760.04</u>           |

**Notes Payable – Georgia Environmental Facilities Authority**

To finance the waterline extension and water tanks on Yonah Homer Road as well as phase II of the sewage expansion and 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>           |
|-------------|------------------------|----------------------|------------------------|
| 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>2,052,912.33</u> | \$ <u>714,806.44</u> | \$ <u>2,767,718.77</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.



BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 10 – (Continued)

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>           |
|-------------|----------------------|----------------------|------------------------|
| 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>886,521.09</u> | \$ <u>183,369.12</u> | \$ <u>1,069,890.21</u> |

**Notes Payable – Georgia Environmental Facilities Authority**

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

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-------------|----------------------|----------------------|----------------------|
| 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>461,200.23</u> | \$ <u>144,256.65</u> | \$ <u>605,456.88</u> |

**Notes Payable – Georgia Environmental Facilities Authority**

To finance the construction of a 1.0 million gallon clearwell. Total amount of loan approved was \$810,316.13. This loan was converted from construction status to a fixed amortization loan on July 1, 2012. Principal and interest shall be due and payable in two hundred and forty payments of \$4,493.99 each commencing on August 1, 2012 and continuing monthly on the first day of each month thereafter. The note bears an interest rate of 3.0% per annum.

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>           |
|-------------|----------------------|----------------------|------------------------|
| 2013        | \$ 27,492.13         | \$ 21,941.76         | \$ 49,433.89           |
| 2014        | 30,865.23            | 23,062.65            | 53,927.88              |
| 2015        | 31,804.05            | 22,123.83            | 53,927.88              |
| 2016        | 32,771.42            | 21,156.46            | 53,927.88              |
| 2017        | 33,768.19            | 20,159.69            | 53,927.88              |
| 2018-2022   | 184,886.46           | 84,753.24            | 269,639.70             |
| 2023-2027   | 214,767.23           | 54,872.17            | 269,639.40             |
| 2028-2032   | 249,477.28           | 20,162.12            | 269,639.40             |
| 2033        | <u>4,484.14</u>      | <u>10.91</u>         | <u>4,495.05</u>        |
|             | \$ <u>810,316.13</u> | \$ <u>268,242.83</u> | \$ <u>1,078,558.96</u> |

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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:

|                                | Governmental<br><u>Activities</u> |
|--------------------------------|-----------------------------------|
| Equipment                      | \$ 623,385                        |
| Less: Accumulated Depreciation | <u>(134,908)</u>                  |
| Net Value                      | \$ <u>488,477</u>                 |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012 were as follows:

| <u>Year ending June 30</u>              | Governmental<br><u>Activities</u> |
|---|-----------------------------------|
| 2012                                    | \$ 79,499.93                      |
| 2013                                    | 79,499.94                         |
| 2014                                    | <u>414,749.94</u>                 |
| Total Minimum Lease Payments            | 573,749.81                        |
| Less: amount representing interest      | <u>39,960.47</u>                  |
| Present value of minimum lease payments | \$ <u>533,789.34</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.

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 11 – (Continued)

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2012:

| <u>Year</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-------------|----------------------|---------------------|----------------------|
| 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>493,603.58</u> | \$ <u>38,171.51</u> | \$ <u>531,775.09</u> |

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, 2012:

| <u>Year</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|-------------|---------------------|--------------------|---------------------|
| 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>40,185.76</u> | \$ <u>1,788.96</u> | \$ <u>41,974.72</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

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 12 – (Continued)

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, 2011 (the most recent actuarial valuation date) was \$315,955 (based on covered earnings of preceding year).

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

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

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 \$15,773 (\$15,773 employer and \$0 employee) were made in accordance with actuarially determined contribution requirements determined by the actuarial valuation performed as of January 1, 2011. Employer contributions attributable to the 2011 Plan Year were made in early 2012. 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, 2012

NOTE 12 – (Continued)

The County's contributions to the Plan for the years ended December 31, 2011, 2010, 2009 and 2008 were \$15,773, \$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) |
|------------------|-------------------------------|---|--------------------|---------------------------|---------------------|---|
| 12-31-11         | \$705,288                     | \$803,299   | 87.8%              | \$98,011                  | \$315,955           | 31.0%   |
| 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%   |

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

| Fiscal Year<br>December 31 | Annual Pension Cost (APC) | Percentage of APC Contributed |
|----------------------------|---------------------------|-------------------------------|
| 2011                       | \$15,773                  | 100.0%                        |
| 2010                       | 18,241                    | 100.0%                        |
| 2009                       | 17,568                    | 100.0%                        |
| 2008                       | 10,668                    | 100.0%                        |
| 2007                       | 15,077                    | 100.0%                        |
| 2006                       | 16,592                    | 101.1 %                       |
| 2005                       | 17,843                    | 100.0%                        |
| 2004                       | 13,394                    | 100.0%                        |
| 2003                       | 16,306                    | 100.0%                        |
| 2002                       | 14,976                    | 100.0%                        |

BANKS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE 12 – (Continued)

The information was determined as part of the actuarial valuation as of January 1, 2011. Additional information as of the latest actuarial valuation follows:

|   |                               |
|---|-------------------------------|
| Valuation date  | January 1, 2011               |
| Actuarial Cost Method   | Projected Unit Credit         |
| Amortization method   | Level Percent of Pay (Closed) |
| Remaining amortization period   | 10 years                      |
| (The estimated amortization period for all unfunded Liabilities combined into one account.) |                               |
| 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. The County may change the contribution requirements by resolution.

There were no employee contributions for the fiscal year ended June 30, 2012 and the County base and matching contribution totaled \$91,787.

***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, 2012

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, 2012

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 results 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, 2012

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       | \$ 329,903    | 100%           |
| Tourism Promotion | 133,284       | 40%            |

NOTE 17 –DEFICIT EQUITY BALANCES

The Family Connections Fund has a deficit fund balance of \$7,328 which is expected to be eliminated in the next few years.

The E-911 Special Revenue fund has a deficit fund balance of \$2,743,800. 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.

REQUIRED SUPPLEMENTARY INFORMATION  
(unaudited)

In accordance with the Governmental Accounting Standards Board Statement No. 34,  
The following information is a required part of the financial statements.

BANKS COUNTY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

EXHIBIT 9

|  | <u>ORIGINAL<br/>BUDGET</u> | <u>BUDGET<br/>AS<br/>AMENDED</u> | <u>ACTUAL</u>        | <u>VARIANCE<br/>FROM AMENDED</u> |
|--|----------------------------|----------------------------------|----------------------|----------------------------------|
| REVENUES   |                            |                                  |                      |                                  |
| Taxes  |                            |                                  |                      |                                  |
| Property Tax   | \$ 4,830,091               | \$ 4,830,091                     | \$ 5,064,978         | \$ 234,887                       |
| Local Option Sales Tax                                       | 2,323,663                  | 2,323,663                        | 2,537,376            | 213,713                          |
| Beverage   | 217,400                    | 217,400                          | 215,967              | (1,433)                          |
| Other  | 635,000                    | 635,000                          | 685,840              | 50,840                           |
| License and Permits  | 100,000                    | 100,000                          | 99,190               | (810)                            |
| Fines & Forfeitures  | 540,000                    | 540,000                          | 553,938              | 13,938                           |
| Fees   | 1,229,742                  | 1,229,742                        | 1,327,018            | 97,276                           |
| Interest   | 70,000                     | 70,000                           | 76,356               | 6,356                            |
| Other  | 9,500                      | 9,500                            | 46,501               | 37,001                           |
| TOTAL REVENUES   | <u>9,955,396</u>           | <u>9,955,396</u>                 | <u>10,607,164</u>    | <u>651,768</u>                   |
| EXPENDITURES   |                            |                                  |                      |                                  |
| Current:   |                            |                                  |                      |                                  |
| General Government   | 2,113,414                  | 2,113,414                        | 2,017,563            | 95,851                           |
| Judicial   | 920,287                    | 920,287                          | 870,090              | 50,197                           |
| Public Safety  | 5,525,177                  | 5,525,177                        | 4,923,773            | 601,404                          |
| Public Works   | 764,290                    | 764,290                          | 620,931              | 143,359                          |
| Health and Welfare   | 227,945                    | 227,945                          | 210,439              | 17,506                           |
| Culture and Recreation                                       | 622,396                    | 622,396                          | 604,574              | 17,822                           |
| Housing and Development                                      | 327,473                    | 327,473                          | 203,861              | 123,612                          |
| Debt Service   |                            |                                  |                      |                                  |
| Debt Retirement  | 60,236                     | 60,236                           | 60,236               |                                  |
| Interest   | 19,264                     | 19,264                           | 19,264               |                                  |
| TOTAL EXPENDITURES   | <u>10,580,482</u>          | <u>10,580,482</u>                | <u>9,530,731</u>     | <u>1,049,751</u>                 |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | <u>(625,086)</u>           | <u>(625,086)</u>                 | <u>1,076,433</u>     | <u>1,701,519</u>                 |
| OTHER FINANCING SOURCES (USES)                               |                            |                                  |                      |                                  |
| Transfers (To) from Other County Funds                       | 482,762                    | 482,762                          | 2,412                | (480,350)                        |
| Total Other Financing<br>Sources (Uses)                      | <u>482,762</u>             | <u>482,762</u>                   | <u>2,412</u>         | <u>(480,350)</u>                 |
| NET CHANGE IN FUND BALANCE                                   | (142,324)                  | (142,324)                        | 1,078,845            | 1,221,169                        |
| FUND BALANCE - BEGINNING OF YEAR                             | <u>142,324</u>             | <u>142,324</u>                   | <u>11,085,749</u>    | <u>10,943,425</u>                |
| FUND BALANCE - END OF YEAR                                   | <u>0</u>                   | <u>0</u>                         | <u>\$ 12,164,594</u> | <u>12,164,594</u>                |

Note to the Budgetary Comparison Schedule

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

## OTHER SUPPLEMENTARY INFORMATION

BANKS COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

|  | SPECIAL<br>REVENUE            |                               |                                 |                               |
|--|-------------------------------|-------------------------------|---------------------------------|-------------------------------|
|  | <u>FAMILY<br/>CONNECTIONS</u> | <u>VICTIMS<br/>ASSISTANCE</u> | <u>JUVENILE<br/>SUPERVISION</u> | <u>PANDEMIC<br/>FLU GRANT</u> |
| ASSETS                                     |                               |                               |                                 |                               |
| Cash                                       | \$ 12,994                     | \$ 14,567                     | \$ 19,798                       | \$ 2,339                      |
| TOTAL ASSETS                               | <u>\$ 12,994</u>              | <u>\$ 14,567</u>              | <u>\$ 19,798</u>                | <u>\$ 2,339</u>               |
| LIABILITIES                                |                               |                               |                                 |                               |
| Accounts Payable                           | \$ 20,322                     | \$                            | \$                              | \$                            |
| TOTAL LIABILITIES                          | <u>20,322</u>                 |                               |                                 |                               |
| FUND BALANCE                               |                               |                               |                                 |                               |
| Restricted:                                |                               |                               |                                 |                               |
| Judicial programs                          |                               | 14,567                        | 19,798                          |                               |
| Public safety programs                     |                               |                               |                                 |                               |
| Health and welfare programs                |                               |                               |                                 | 2,339                         |
| Unassigned                                 | <u>(7,328)</u>                |                               |                                 |                               |
| TOTAL FUND BALANCES                        | <u>(7,328)</u>                | <u>14,567</u>                 | <u>19,798</u>                   | <u>2,339</u>                  |
| <br>TOTAL LIABILITIES AND<br>FUND BALANCES | <br><u>\$ 12,994</u>          | <br><u>\$ 14,567</u>          | <br><u>\$ 19,798</u>            | <br><u>\$ 2,339</u>           |

SCHEDULE 1

| SPECIAL<br>REVENUE          |                 |                  |                  |  |  |
|-----------------------------|-----------------|------------------|------------------|--|--|
| EDWARD<br>BYRNE<br>MEMORIAL | JAIL<br>FUND    | LAW<br>LIBRARY   | DRUG<br>SURCHAGE | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |  |
| \$ 9,955                    | \$ 1,816        | \$ 50,745        | \$ 88,377        | \$ 200,591                                 |  |
| <u>\$ 9,955</u>             | <u>\$ 1,816</u> | <u>\$ 50,745</u> | <u>\$ 88,377</u> | <u>\$ 200,591</u>                          |  |
| \$                          | \$              | \$               | \$               | \$   |  |
|                             |                 |                  |                  | 20,322                                     |  |
|                             |                 |                  |                  | <u>20,322</u>                              |  |
|                             |                 | 50,745           |                  | 85,110                                     |  |
| 9,955                       | 1,816           |                  | 88,377           | 100,148                                    |  |
|                             |                 |                  |                  | 2,339                                      |  |
|                             |                 |                  |                  | (7,328)                                    |  |
| <u>9,955</u>                | <u>1,816</u>    | <u>50,745</u>    | <u>88,377</u>    | <u>180,269</u>                             |  |
| \$ 9,955                    | \$ 1,816        | \$ 50,745        | \$ 88,377        | \$ 200,591                                 |  |
| <u>\$ 9,955</u>             | <u>\$ 1,816</u> | <u>\$ 50,745</u> | <u>\$ 88,377</u> | <u>\$ 200,591</u>                          |  |

BANKS COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

|  | SPECIAL<br>REVENUE       |                         |                                 |                        |                             |                        |
|--|--------------------------|-------------------------|---------------------------------|------------------------|-----------------------------|------------------------|
|  | FAMILY<br>CONNECTIONS    | VICTIMS<br>ASSISTANCE   | JUVENILE<br>SUPERVISION<br>FUND | PANDEMIC<br>FLU GRANT  | EDWARD<br>BYRNE<br>MEMORIAL | JAIL<br>FUND           |
| REVENUES   |                          |                         |                                 |                        |                             |                        |
| Grants   | \$ 43,518                | \$                      | \$                              | \$                     | \$ 15,652                   | \$                     |
| Taxes  |                          |                         |                                 |                        |                             |                        |
| Local Matching                                   | 5,392                    |                         |                                 |                        |                             |                        |
| Fees   |                          | 18,976                  | 110                             |                        |                             | 54,231                 |
| Interest   |                          |                         |                                 | 2                      |                             |                        |
| TOTAL REVENUE                                    | <u>48,910</u>            | <u>18,976</u>           | <u>110</u>                      | <u>2</u>               | <u>15,652</u>               | <u>54,231</u>          |
| EXPENDITURES                                     |                          |                         |                                 |                        |                             |                        |
| Tourism and Promotion                            |                          |                         |                                 |                        |                             |                        |
| Law Enforcement                                  |                          | 15,282                  |                                 |                        | 6,843                       | 53,775                 |
| Law Library                                      |                          |                         |                                 |                        |                             |                        |
| Transportation System                            |                          |                         |                                 |                        |                             |                        |
| Family Connections                               | 49,361                   |                         |                                 |                        |                             |                        |
| General Government                               |                          |                         |                                 |                        |                             |                        |
| TOTAL EXPENDITURES                               | <u>49,361</u>            | <u>15,282</u>           |                                 |                        | <u>6,843</u>                | <u>53,775</u>          |
| EXCESS -DEFICIENCY REVENUES<br>OVER EXPENDITURES | (451)                    | 3,694                   | 110                             | 2                      | 8,809                       | 456                    |
| OTHER FINANCING SOURCES (USES)                   |                          |                         |                                 |                        |                             |                        |
| Transfers Out:                                   |                          |                         |                                 |                        |                             |                        |
| NET CHANGES IN FUND BALANCE                      | <u>(451)</u>             | <u>3,694</u>            | <u>110</u>                      | <u>2</u>               | <u>8,809</u>                | <u>456</u>             |
| FUND BALANCE BEGINNING<br>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>           |
| FUND BALANCE END OF YEAR                         | \$ <u><u>(7,328)</u></u> | \$ <u><u>14,567</u></u> | \$ <u><u>19,798</u></u>         | \$ <u><u>2,339</u></u> | \$ <u><u>9,955</u></u>      | \$ <u><u>1,816</u></u> |

SCHEDULE 2

SPECIAL  
REVENUE

|                  |                   |                          |                       |                   |    | TOTAL<br>NONMAJOR<br>GOVERNMENTAL<br>FUNDS |
|------------------|-------------------|--------------------------|-----------------------|-------------------|----|--|
| LAW<br>LIBRARY   | DRUG<br>SURCHARGE | PUBLIC<br>TRANSPORTATION | HOTEL<br>MOTEL<br>TAX | EMP GRANT<br>FUND |    |  |
| \$               | \$                | \$ 31,641                | \$                    | \$ 5,000          | \$ | 95,811                                     |
|                  |                   |                          | 329,903               |                   |    | 329,903                                    |
|                  |                   | 31,641                   |                       |                   |    | 37,033                                     |
| 12,205           | 20,908            | 12,973                   |                       |                   |    | 119,403                                    |
|                  |                   |                          |                       |                   |    | 2  |
| <u>12,205</u>    | <u>20,908</u>     | <u>76,255</u>            | <u>329,903</u>        | <u>5,000</u>      |    | <u>582,152</u>                             |
|                  |                   |                          |                       |                   |    |  |
|                  |                   |                          | 133,284               |                   |    | 133,284                                    |
|                  | 8,430             |                          |                       |                   |    | 84,330                                     |
| 6,537            |                   |                          |                       |                   |    | 6,537                                      |
|                  |                   | 76,255                   |                       |                   |    | 76,255                                     |
|                  |                   |                          |                       |                   |    | 49,361                                     |
|                  |                   |                          |                       | 5,000             |    | 5,000                                      |
| <u>6,537</u>     | <u>8,430</u>      | <u>76,255</u>            | <u>133,284</u>        | <u>5,000</u>      |    | <u>354,767</u>                             |
|                  |                   |                          |                       |                   |    |  |
| 5,668            | 12,478            |                          | 196,619               | 0                 |    | 227,385                                    |
|                  |                   |                          |                       |                   |    |  |
| <u>5,668</u>     | <u>12,478</u>     |                          | <u>(196,619)</u>      | <u>0</u>          |    | <u>(196,619)</u>                           |
|                  |                   |                          |                       |                   |    | 30,766                                     |
|                  |                   |                          |                       |                   |    |  |
| <u>45,077</u>    | <u>75,899</u>     |                          |                       | <u>0</u>          |    | <u>149,503</u>                             |
| \$ <u>50,745</u> | \$ <u>88,377</u>  | \$                       | \$                    | \$ 0              | \$ | <u>180,269</u>                             |



BANKS COUNTY  
PUBLIC TRANSPORTATION SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012

| REVENUES   | ORIGINAL<br>AND FINAL<br>BUDGET | ACTUAL               | VARIANCE<br>FROM<br>BUDGET |
|--|---------------------------------|----------------------|----------------------------|
| Grants   | \$ 48,151                       | \$ 31,641            | \$ (16,510)                |
| Local Matching                                   | 48,152                          | 31,641               | (16,511)                   |
| Fees   | 10,700                          | 12,973               | 2,273                      |
| TOTAL REVENUE                                    | <u>107,003</u>                  | <u>76,255</u>        | <u>(30,748)</u>            |
| EXPENDITURES                                     |                                 |                      |                            |
| Administrative                                   | 12,480                          | 17,480               | (5,000)                    |
| Transportation                                   | 94,523                          | 58,775               | 35,748                     |
| TOTAL EXPENDITURES                               | <u>107,003</u>                  | <u>76,255</u>        | <u>30,748</u>              |
| EXCESS -DEFICIENCY REVENUES<br>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, 2012

| REVENUES   | ORIGINAL<br>AND FINAL<br>BUDGET | ACTUAL            | VARIANCE<br>FROM<br>BUDGET |
|--|---------------------------------|-------------------|----------------------------|
| Grants   | \$ 44,000                       | \$ 43,518         | \$ (482)                   |
| Local Matching                                   |                                 | 5,392             | 5,392                      |
| TOTAL REVENUE                                    | <u>44,000</u>                   | <u>48,910</u>     | <u>4,910</u>               |
| EXPENDITURES                                     |                                 |                   |                            |
| Operating  | 1,750                           | 1,855             | 1,750                      |
| Per Diem & Contract Fees                         | 42,250                          | 47,506            |                            |
| TOTAL EXPENDITURES                               | <u>44,000</u>                   | <u>49,361</u>     | <u>1,750</u>               |
| EXCESS -DEFICIENCY REVENUES<br>OVER EXPENDITURES |                                 | <u>(451)</u>      | <u>6,660</u>               |
| FUND BALANCES BEGINNING OF YEAR                  |                                 | <u>(6,877)</u>    |                            |
| FUND BALANCES END OF YEAR                        |                                 | <u>\$ (7,328)</u> |                            |

BANKS COUNTY  
AGENCY FUNDS  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
JUNE 30, 2012

SCHEDULE 5

|                                  | <u>TAX<br/>COMMISSIONER</u> | <u>SHERIFF</u>  | <u>PROBATE<br/>JUDGE</u> | <u>FEDERAL<br/>EQUITY<br/>SHARING</u> | <u>STATE<br/>EQUITY<br/>SHARING</u> | <u>CLERK OF<br/>COURT</u> | <u>MAGISTRATE<br/>COURT</u> | <u>PROBATION<br/>OFFICE</u> | <u>COMBINED<br/>TOTALS</u> |
|----------------------------------|-----------------------------|-----------------|--------------------------|---------------------------------------|-------------------------------------|---------------------------|-----------------------------|-----------------------------|----------------------------|
| ASSETS                           |                             |                 |                          |                                       |                                     |                           |                             |                             |                            |
| Cash                             | \$ 738,661                  | \$ 9,234        | \$ 2,368                 | \$ 77,681                             | \$ 24,763                           | \$ 176,028                | \$ 4,446                    | \$ 18,929                   | \$ 1,052,110               |
| TOTAL ASSETS                     | <u>\$ 738,661</u>           | <u>\$ 9,234</u> | <u>\$ 2,368</u>          | <u>\$ 77,681</u>                      | <u>\$ 24,763</u>                    | <u>\$ 176,028</u>         | <u>\$ 4,446</u>             | <u>\$ 18,929</u>            | <u>\$ 1,052,110</u>        |
| LIABILITIES                      |                             |                 |                          |                                       |                                     |                           |                             |                             |                            |
| Accounts Payable                 |                             |                 |                          |                                       |                                     |                           |                             |                             |                            |
| Due to Other Government Agencies | \$ 442,916                  | \$ 9,234        | \$ 2,368                 | \$ 77,681                             | \$ 24,763                           | \$ 56,329                 | \$ 1,689                    | \$                          | \$ 614,980                 |
| Unsettled Escrow                 | <u>295,745</u>              |                 |                          |                                       |                                     | <u>119,699</u>            | <u>2,757</u>                | <u>18,929</u>               | <u>437,130</u>             |
| TOTAL LIABILITIES                | <u>\$ 738,661</u>           | <u>\$ 9,234</u> | <u>\$ 2,368</u>          | <u>\$ 77,681</u>                      | <u>\$ 24,763</u>                    | <u>\$ 176,028</u>         | <u>\$ 4,446</u>             | <u>\$ 18,929</u>            | <u>\$ 1,052,110</u>        |

BANKS COUNTY  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSET AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHEDULE 6

TAX COMMISSIONER

|                                  | 2011       | ADDITIONS     | DEDUCTIONS    | 2012       |
|----------------------------------|------------|---------------|---------------|------------|
| ASSETS                           |            |               |               |            |
| Cash                             | \$ 616,333 | \$ 12,572,658 | \$ 12,450,330 | \$ 738,661 |
| TOTAL ASSETS                     | \$ 616,333 | \$ 12,572,658 | \$ 12,450,330 | \$ 738,661 |
| LIABILITIES                      |            |               |               |            |
| Due to Other Government Agencies | \$ 322,501 | \$ 12,570,745 | \$ 12,450,330 | \$ 442,916 |
| Unsettled Escrow                 | 293,832    | 1,913         |               | 295,745    |
| TOTAL LIABILITIES                | \$ 616,333 | \$ 12,572,658 | \$ 12,450,330 | \$ 738,661 |

SHERIFF

|                                  |          |            |            |          |
|----------------------------------|----------|------------|------------|----------|
| ASSETS                           |          |            |            |          |
| Cash                             | \$ 9,610 | \$ 120,130 | \$ 120,506 | \$ 9,234 |
| TOTAL ASSETS                     | \$ 9,610 | \$ 120,130 | \$ 120,506 | \$ 9,234 |
| LIABILITIES                      |          |            |            |          |
| Due to Other Government Agencies | \$ 9,610 | \$ 120,130 | \$ 120,506 | \$ 9,234 |
| TOTAL LIABILITIES                | \$ 9,610 | \$ 120,130 | \$ 120,506 | \$ 9,234 |

PROBATE JUDGE

|                                  |           |            |            |          |
|----------------------------------|-----------|------------|------------|----------|
| ASSETS                           |           |            |            |          |
| Cash                             | \$ 10,789 | \$ 376,109 | \$ 384,530 | \$ 2,368 |
| TOTAL ASSETS                     | \$ 10,789 | \$ 376,109 | \$ 384,530 | \$ 2,368 |
| LIABILITIES                      |           |            |            |          |
| Due to Other Government Agencies | \$ 10,789 | \$ 376,109 | \$ 384,530 | \$ 2,368 |
| TOTAL LIABILITIES                | \$ 10,789 | \$ 376,109 | \$ 384,530 | \$ 2,368 |

FEDERAL EQUITY SHARING

|                                  |           |            |            |           |
|----------------------------------|-----------|------------|------------|-----------|
| ASSETS                           |           |            |            |           |
| Cash                             | \$ 36,208 | \$ 675,662 | \$ 634,189 | \$ 77,681 |
| TOTAL ASSETS                     | \$ 36,208 | \$ 675,662 | \$ 634,189 | \$ 77,681 |
| LIABILITIES                      |           |            |            |           |
| Due to Other Government Agencies | \$ 36,208 | \$ 675,662 | \$ 634,189 | \$ 77,681 |
| TOTAL LIABILITIES                | \$ 36,208 | \$ 675,662 | \$ 634,189 | \$ 77,681 |

STATE EQUITY SHARING

|                                  |      |            |            |           |
|----------------------------------|------|------------|------------|-----------|
| ASSETS                           |      |            |            |           |
| Cash                             | \$ 0 | \$ 151,367 | \$ 126,604 | \$ 24,763 |
| TOTAL ASSETS                     | \$ 0 | \$ 151,367 | \$ 126,604 | \$ 24,763 |
| LIABILITIES                      |      |            |            |           |
| Due to Other Government Agencies | \$ 0 | \$ 151,367 | \$ 126,604 | \$ 24,763 |
| TOTAL LIABILITIES                | \$ 0 | \$ 151,367 | \$ 126,604 | \$ 24,763 |

BANKS COUNTY  
AGENCY FUNDS  
STATEMENT OF CHANGES IN ASSET AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHEDULE 6

CLERK OF COURT

|                                  | 2011       | ADDITIONS  | DEDUCTIONS | 2012       |
|----------------------------------|------------|------------|------------|------------|
| ASSETS                           |            |            |            |            |
| Cash                             | \$ 180,292 | \$ 661,397 | \$ 665,661 | \$ 176,028 |
| TOTAL ASSETS                     | \$ 180,292 | \$ 661,397 | \$ 665,661 | \$ 176,028 |
| LIABILITIES                      |            |            |            |            |
| Accounts Payable                 |            |            |            |            |
| Due to Other Government Agencies | \$ 56,921  | \$ 378,834 | \$ 379,426 | \$ 56,329  |
| Unsettled Escrow                 | 123,371    | 282,563    | 286,235    | 119,699    |
| TOTAL LIABILITIES                | \$ 180,292 | \$ 661,397 | \$ 665,661 | \$ 176,028 |

MAGISTRATE

|                                  |          |            |            |          |
|----------------------------------|----------|------------|------------|----------|
| ASSETS                           |          |            |            |          |
| Cash                             | \$ 5,904 | \$ 101,108 | \$ 102,566 | \$ 4,446 |
| TOTAL ASSETS                     | \$ 5,904 | \$ 101,108 | \$ 102,566 | \$ 4,446 |
| LIABILITIES                      |          |            |            |          |
| Accounts Payable                 |          |            |            |          |
| Due to Other Government Agencies | \$ 2,222 | \$ 47,521  | \$ 48,054  | \$ 1,689 |
| Unsettled Escrow                 | 3,682    | 53,587     | 54,512     | 2,757    |
| TOTAL LIABILITIES                | \$ 5,904 | \$ 101,108 | \$ 102,566 | \$ 4,446 |

PROBATION OFFICE

|                                  |           |           |           |           |
|----------------------------------|-----------|-----------|-----------|-----------|
| ASSETS                           |           |           |           |           |
| Cash                             | \$ 20,436 | \$ 65,638 | \$ 67,145 | \$ 18,929 |
| TOTAL ASSETS                     | \$ 20,436 | \$ 65,638 | \$ 67,145 | \$ 18,929 |
| LIABILITIES                      |           |           |           |           |
| Accounts Payable                 |           |           |           |           |
| Due to Other Government Agencies | \$        | \$ 35,445 | \$ 35,445 | \$        |
| Unsettled Escrow                 | 20,436    | 30,193    | 31,700    | 18,929    |
| TOTAL LIABILITIES                | \$ 20,436 | \$ 65,638 | \$ 67,145 | \$ 18,929 |

TOTALS

|                                  |            |               |               |              |
|----------------------------------|------------|---------------|---------------|--------------|
| ASSETS                           |            |               |               |              |
| Cash                             | \$ 879,572 | \$ 14,724,069 | \$ 14,551,531 | \$ 1,052,110 |
| TOTAL ASSETS                     | \$ 879,572 | \$ 14,724,069 | \$ 14,551,531 | \$ 1,052,110 |
| LIABILITIES                      |            |               |               |              |
| Accounts Payable                 |            |               |               |              |
| Due to Other Government Agencies | \$ 438,251 | \$ 14,355,813 | \$ 14,179,084 | \$ 614,980   |
| Unsettled Escrow                 | 441,321    | 368,256       | 372,447       | 437,130      |
| TOTAL LIABILITIES                | \$ 879,572 | \$ 14,724,069 | \$ 14,551,531 | \$ 1,052,110 |

## OTHER SUPPLEMENTARY INFORMATION

BANKS COUNTY  
SCHEDULE OF PROJECTS CONSTRUCTED  
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SCHEDULE 7

**2001 SPECIAL PURPOSE LOCAL OPTION SALES TAX**

| <u>PROJECT</u>                    | <u>ORIGINAL<br/>ESTIMATED<br/>COST</u> | <u>ADJUSTED<br/>ESTIMATED<br/>COST</u> | <u>PRIOR<br/>TOTAL</u> | <u>CURRENT<br/>TOTAL</u> | <u>ESTIMATED<br/>PERCENTAGE<br/>OF<br/>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                | 470,043                  | 69.51%  |
| Water Treatment Facilities        | <u>5,370,000</u>                       | <u>4,474,131</u>                       | <u>4,855,567</u>       | <u>18,155</u>            | 108.93%   |
|                                   | <u>\$ 13,425,000</u>                   | <u>\$ 13,102,106</u>                   | <u>\$ 11,444,669</u>   | <u>\$ 488,198</u>        |   |

**2006 SPECIAL PURPOSE LOCAL OPTION SALES TAX**

| <u>PROJECT</u>                   | <u>ORIGINAL<br/>ESTIMATED<br/>COST</u> | <u>PRIOR<br/>TOTAL</u> | <u>CURRENT<br/>TOTAL</u> | <u>ESTIMATED<br/>PERCENTAGE<br/>OF<br/>COMPLETION</u> |
|----------------------------------|--|------------------------|--------------------------|---|
| Courthouse Annex Building        | \$ 8,000,000                           | \$ 7,559,758           | \$ 51,564                | 95.14%  |
| Fire/EMS Buildings and Equipment | 158,000                                | 158,000                | 0                        | 100.00%   |
| Sewage Expansion Project         | 1,000,000                              | 1,264,563              | 89,289                   | 135.39%   |
| 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>12,375,815</u>      | 140,853                  |   |

Reconciliation to Exhibit 4

Banks County General Obligation Bonds Series 2006

|                                 |                     |
|---------------------------------|---------------------|
| Principal                       | 2,100,000           |
| Interest                        | 150,750             |
| Total Expenditure per Exhibit 4 | <u>\$ 2,391,603</u> |

## OTHER REPORTS



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

November 22, 2012

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, 2012, which collectively comprise Banks County Georgia's basic financial statements and have issued our report thereon dated November 22, 2012. 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 auditor's 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.

### 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*.

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