

BANKS COUNTY
HOMER, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

BANKS COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

TABLE OF CONTENTS

EXHIBITS

Independent Auditor's Report	1-2
-------------------------------------	-----

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Exhibit 1	Statement of Net Position	3
Exhibit 2	Statement of Activities	4

Fund Financial Statements

Governmental Funds Financial Statements

Exhibit 3	Balance Sheet	5
Exhibit 3A	Reconciliation of the Balance Sheet of Governmental Funds to The Statement of Net Position	6
Exhibit 4	Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	7-8

Proprietary Fund Financial Statements

Exhibit 5	Statement of Net Position	9
Exhibit 6	Statement of Revenues, Expenses and Changes in Fund Net Position	10
Exhibit 7	Statement of Cash Flows	11

Fiduciary Fund Financial Statements

Exhibit 8	Statement of Fiduciary Assets and Liabilities	12
-----------	---	----

Notes to the Financial Statements	13-37
--	-------

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Budgetary Comparison Schedules

Exhibit 9	General Fund	38
-----------	--------------	----

BANKS COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

SCHEDULES

Combining Statements

Non-major Governmental Funds

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

Agency Funds

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

OTHER REPORTING SECTION

Report on Internal Control over Financial Reporting and on Compliance and other Matters based on an Audit of Financial Statements performed in accordance with <i>Government Auditing Standards</i>	48-49
Schedule of Findings and Questioned Costs	50

STATE REPORTING SECTION

Schedule 7	Schedule of Projects Constructed with Special Purpose Local Option Sales Tax	51-52
------------	---	-------

INDEPENDENT AUDITOR'S REPORT

DUNCAN & KITCHENS, LLC

Certified Public Accountants

327-D MONROE STREET

CLARKESVILLE, GA 30523

(706) 754-5814

FAX (706) 754-9069

Joseph Duncan, CPA, ATA, ATP
Joe Kitchens, CPA

Members of
American Institute and
Georgia Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

November 20, 2013

Honorable Chairman and Members
of the Board of Commissioners
Banks County, 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, Georgia, as of and for the year ended June 30, 2013, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Banks County Health Department, a component unit of Banks County, Georgia, which represent 1.8 percent, 1.6 percent, and 100 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Banks County Health Department, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the 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 Banks County, Georgia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Banks County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparison schedules, and state reporting section with the special purpose local option sales report are presented for the 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, and the state reporting section with the special purpose local option sales tax report are the responsibility of management and were derived from and relate directly to the underlying accounting and other record used to prepare the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual financial statements and schedules, and the state reporting section with special purpose local option sales tax report are fairly stated in all material respects in relation to the financial statements as a whole.

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.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the Banks County, Georgia'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* in considering Banks County's internal control over financial reporting.



Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia

BASIC FINANCIAL STATEMENTS

BANKS COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT 1

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	INDUSTRIAL BUILDING AUTHORITY	BANKS COUNTY HEALTH DEPARTMENT
ASSETS					
Current Assets					
Cash	\$ 9,920,236	\$ 1,859,635	\$ 11,779,871	\$	\$ 197,822
Receivables					
Taxes	665,855		665,855		
Accounts	948,599	82,400	1,030,999		63,856
Intergovernmental Receivable	86,592	(86,592)			
Prepaid Expenses	81,253	23,429	104,682		
Restricted Assets					
Cash	6,401,525		6,401,525		
Receivables-SPLOST	493,039		493,039		
Total Current Assets	<u>18,597,099</u>	<u>1,878,872</u>	<u>20,475,971</u>		<u>261,678</u>
Noncurrent Assets					
Land - Non Depreciable	125,375	3,133,384	3,258,759		
Depreciable Assets, Net	<u>16,125,291</u>	<u>27,260,033</u>	<u>43,385,324</u>	<u>1,199,404</u>	
Total Noncurrent Assets	<u>16,250,666</u>	<u>30,393,417</u>	<u>46,644,083</u>	<u>1,199,404</u>	
TOTAL ASSETS	<u>\$ 34,847,765</u>	<u>\$ 32,272,289</u>	<u>\$ 67,120,054</u>	<u>\$ 1,199,404</u>	<u>\$ 261,678</u>
LIABILITIES					
Current Liabilities					
Payables	\$	\$	\$	\$	\$ 2,184
Accounts	254,350	75,000	329,350		
Intergovernmental	78,814		78,814		
Accrued Payroll	100,611		100,611		
Payroll Taxes Payable	74,181		74,181		
Accrued Vacation					27,956
Water Meter Deposits		177,200	177,200		
Lease Payable - Current	60,509		60,509		
Current Portion of Long-Term Debt		139,749	139,749		
Total Current Liabilities	<u>568,465</u>	<u>391,949</u>	<u>960,414</u>		<u>30,140</u>
Noncurrent Liabilities					
Lease Payable	407,004		407,004		
Notes Payable		2,664,533	2,664,533		
Total Noncurrent Liabilities	<u>407,004</u>	<u>2,664,533</u>	<u>3,071,537</u>		
TOTAL LIABILITIES	<u>975,469</u>	<u>3,056,482</u>	<u>4,031,951</u>		<u>30,140</u>
NET POSITION					
Invested in Capital Assets, Net of Related Debt	15,783,153	27,589,135	43,372,288	1,199,404	
Restricted for:					
Capital Outlay Projects	4,379,955		4,379,955		
Judicial Programs	90,194		90,194		
Public Safety Programs	88,335		88,335		
Health and Welfare Programs	2,341		2,341		
Unrestricted	<u>13,528,318</u>	<u>1,626,672</u>	<u>15,154,990</u>		<u>231,538</u>
TOTAL NET POSITION	<u>\$ 33,872,296</u>	<u>\$ 29,215,807</u>	<u>\$ 63,088,103</u>	<u>\$ 1,199,404</u>	<u>\$ 231,538</u>

BANKS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	Industrial Building Authority	Banks County Health Department
Primary Government								
Governmental Activities								
General Government	\$ 2,219,636	\$ 1,504,305	\$	\$	\$ (715,331)	\$	\$	\$
Judicial	895,576	117,825			(777,751)			
Public Safety	5,995,673	826,584		25,000	(5,144,089)			
Public Works	822,615			269,523	(553,092)			
Health and Welfare	232,255				(232,255)			
Culture and Recreation	553,565	97,753			(455,812)			
Housing and Development	216,753				(216,753)			
Law Library	4,856				(4,856)			
Family Connections	50,359		45,147		(5,212)			
Transportation	76,255	12,973	31,641		(31,641)			
Tourism and Promotion	157,543				(157,543)			
Other	149,153				(149,153)			
Total Governmental Activities	11,374,239	2,559,440	76,788	294,523	(8,443,488)			
Business-type Activities								
Public Utilities	2,278,710	1,440,398		0	(838,312)			
Development Authority	169,077	220,096			51,019			
Total Business-type Activities	2,447,787	1,660,494		0	(787,293)			
Total Primary Government	\$ 13,822,026	\$ 4,219,934	\$ 76,788	\$ 294,523	(8,443,488)	(787,293)		
Component Units:								
Industrial Building Authority	\$ 37,482	\$	\$	\$			(37,482)	
Banks County Health Department	469,975	183,950	306,438					20,413
Total Component Units	\$ 507,457	\$ 183,950	\$ 306,438		\$	\$	(37,482)	\$ 20,413
General Revenues:								
Taxes:								
Property					\$ 5,313,091	\$		
Local Option Sales Tax					2,449,821			
Special Purpose Local Option Sales Tax					2,966,963			
Beverage					201,876			
Other					1,168,210			
Unrestricted investment earnings					67,823	13,672		
Extraordinary Item (Note 17)					1,000,000			
Transfers- Net					(1,769,891)	1,769,891		
Total General Revenues, Extraordinary Item and Transfers					11,397,893	1,783,563		
Change in Net Position								
Net Position - Beginning of Year					2,954,405	996,270	(37,482)	20,413
Net Position - End of Year					30,917,891	28,219,537	1,236,886	211,125
				4	\$ 33,872,296	\$ 29,215,807	\$ 1,199,404	\$ 231,538

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT 3

	GENERAL FUND	E-911 FUND	2012 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 9,308,772	\$ 413,911	\$ 1,521,182	\$ 2,444,548	\$ 2,435,795	\$ 197,553	\$ 9,920,236
Restricted Cash							6,401,525
Receivables							
Taxes	665,855						665,855
SPLOST			493,039				493,039
Accounts	948,599						948,599
Due From Other Funds	3,610,446						3,610,446
Prepaid Items	81,253						81,253
TOTAL ASSETS	\$ 14,614,925	\$ 413,911	\$ 2,014,221	\$ 2,444,548	\$ 2,435,795	\$ 197,553	\$ 22,120,953
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Payables	\$	\$	\$	\$	\$	\$	\$
Accounts	219,676	6,852					254,350
Intergovernmental			78,814			27,822	78,814
Accrued Payroll	100,611						100,611
Payroll Taxes Payable	74,181						74,181
Due to Other Funds		3,523,854					3,523,854
TOTAL LIABILITIES	394,468	3,530,706	78,814			27,822	4,031,810
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	396,956						396,956
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	791,424	3,530,706	78,814			27,822	4,428,766
FUND BALANCES							
Nonspendable:							
Prepaid expenditure	81,253						81,253
Long Term Interfund							
Receivable	3,610,446						3,610,446
Restricted:							
Capital outlay projects			1,935,407	2,444,548			4,379,955
Judicial programs						90,194	90,194
Public safety programs						88,335	88,335
Health and welfare programs						2,341	2,341
Committed							
Capital outlay projects					2,435,795		2,435,795
Unassigned	10,131,802	(3,116,795)				(11,139)	7,003,868
TOTAL FUND BALANCES	13,823,501	(3,116,795)	1,935,407	2,444,548	2,435,795	169,731	17,692,187
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,614,925	\$ 413,911	\$ 2,014,221	\$ 2,444,548	\$ 2,435,795	\$ 197,553	\$ 22,120,953

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT 3A

Adjustments to the Statement of Net Assets

Fund Balance	\$ 17,692,187
Capital assets \$26,702,014, net of accumulated depreciation of (\$10,451,348) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	16,250,666
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the fund. These are deferred property taxes.	396,956
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
Leases Payable	<u>(467,513)</u>

Total Net Assets of Governmental Activities (Exhibit 1)	\$ <u><u>33,872,296</u></u>
---	-----------------------------

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	GENERAL FUND	E-911 FUND	2012 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Taxes							
Property Tax	\$ 5,265,479	\$	\$	\$		\$	\$ 5,265,479
Local Option Sales Tax	2,449,821						2,449,821
Special Purpose Local Option Sales Tax							2,959,120
Beverage	201,876			521,551			201,876
Other	774,350					393,860	1,168,210
License and Permits	107,490		2,437,569				107,490
Fines & Forfeitures	610,144						610,144
Grants	269,523						351,489
Local Matching							33,042
Fees	1,371,898	296,497					1,787,995
Interest	57,824		4,103	3,740	9,997	2	75,666
Other	32,185				8,406		40,591
TOTAL REVENUES	<u>11,140,590</u>	<u>296,497</u>	<u>2,441,672</u>	<u>525,291</u>	<u>18,403</u>	<u>628,470</u>	<u>15,050,923</u>
EXPENDITURES							
Current:							
General Government	2,070,507				19,940		2,090,447
Judicial	895,576						895,576
Public Safety	4,838,006	669,492			2,365	113,678	5,623,541
Public Works	561,830				10,352		572,182
Health and Welfare	232,255						232,255
Culture and Recreation	553,565						553,565
Housing and Development	212,782						212,782
Law Library						4,856	4,856
Family Connections						50,359	50,359
Transportation						76,255	76,255
Tourism and Promotion						157,543	157,543
Debt Service							
Principal Retirement	66,276			2,175,000			2,241,276
Interest	18,450			50,625			69,075
Capital Expenditures				689,387			689,387
Intergovernmental							257,225
TOTAL EXPENDITURES	<u>9,449,247</u>	<u>669,492</u>	<u>257,225</u>	<u>2,915,012</u>	<u>32,657</u>	<u>402,691</u>	<u>13,726,324</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,691,343</u>	<u>(372,995)</u>	<u>2,184,447</u>	<u>(2,389,721)</u>	<u>(14,254)</u>	<u>225,779</u>	<u>1,324,599</u>
OTHER FINANCING SOURCES (USES)							
Transfers from Other County Funds	267,564				300,000		567,564
Transfers (to) Other County Funds	(300,000)		(249,040)	(552,098)	(1,000,000)	(236,317)	(2,337,455)
Total Other Financing Sources (Uses)	<u>(32,436)</u>		<u>(249,040)</u>	<u>(552,098)</u>	<u>(700,000)</u>	<u>(236,317)</u>	<u>(1,769,891)</u>
Extraordinary Item (Note 17)					1,000,000		1,000,000
NET CHANGE IN FUND BALANCE	<u>1,658,907</u>	<u>(372,995)</u>	<u>1,935,407</u>	<u>(2,941,819)</u>	<u>285,746</u>	<u>(10,538)</u>	<u>554,708</u>
FUND BALANCE - BEGINNING OF YEAR	<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>
FUND BALANCE - END OF YEAR	<u>\$ 13,823,501</u>	<u>\$ (3,116,795)</u>	<u>\$ 1,935,407</u>	<u>\$ 2,444,548</u>	<u>\$ 2,435,795</u>	<u>\$ 169,731</u>	<u>\$ 17,692,187</u>

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

BANKS COUNTY, GEORGIA
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, 2013

Adjustments to the Statement of Activities	
Net Change In Fund Balance	\$ 554,708
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 Capital Outlays (818,192) exceeded Depreciation (755,725).	62,467
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.	47,612
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt Principal Payments	<u>2,289,618</u>
Change in Net Assets of Governmental Activities (Exhibit 2)	<u>\$ 2,954,405</u>

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

BANKS COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

EXHIBIT 5

BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS

	<u>PUBLIC UTILITIES</u>	<u>DEVELOPMENT AUTHORITY</u>	<u>TOTAL</u>
ASSETS			
Current Assets:			
Cash	\$ 1,708,261	\$ 151,374	\$ 1,859,635
Accounts Receivable	82,400		82,400
Prepaid Items	23,429		23,429
Total Current Assets	<u>1,814,090</u>	<u>151,374</u>	<u>1,965,464</u>
Non-current Assets:			
Capital Assets			
Land	1,337,939	1,795,445	3,133,384
Depreciable Assets, Net	<u>27,260,033</u>		<u>27,260,033</u>
Total Non-current Assets	<u>28,597,972</u>	<u>1,795,445</u>	<u>30,393,417</u>
 TOTAL ASSETS	 <u>\$ 30,412,062</u>	 <u>\$ 1,946,819</u>	 <u>\$ 32,358,881</u>
 LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 75,000	\$	\$ 75,000
Due to General Fund	86,592		86,592
Current Portion of Long-Term Notes	<u>139,749</u>		<u>139,749</u>
Total Current Liabilities	<u>301,341</u>		<u>301,341</u>
Non-current Liabilities			
Customer Deposits	177,200		177,200
Long-term Notes Payable	<u>2,664,533</u>		<u>2,664,533</u>
Total Non-current Liabilities	<u>2,841,733</u>		<u>2,841,733</u>
 TOTAL LIABILITIES	 <u>3,143,074</u>		 <u>3,143,074</u>
 NET POSITION			
Invested in Capital Assets, Net of Related Debt	25,793,690	1,795,445	27,589,135
Unrestricted Assets	<u>1,475,298</u>	<u>151,374</u>	<u>1,626,672</u>
 TOTAL NET POSITION	 <u>27,268,988</u>	 <u>1,946,819</u>	 <u>29,215,807</u>
 TOTAL LIABILITIES AND NET POSITON	 <u>\$ 30,412,062</u>	 <u>\$ 1,946,819</u>	 <u>\$ 32,358,881</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT 6

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC UTILITIES	DEVELOPMENT AUTHORITY	TOTAL
OPERATING REVENUES			
Charges for Service	\$ 1,440,398	\$ 220,096	\$ 1,660,494
TOTAL OPERATING REVENUES	<u>1,440,398</u>	<u>220,096</u>	<u>1,660,494</u>
OPERATING EXPENSES			
Salaries	451,043	56,793	507,836
Water Purchased	59,361		59,361
Payroll Tax	39,834	6,128	45,962
Training	1,325	1,663	2,988
Advertising and Promotion		4,000	4,000
Employee Retirement	15,795		15,795
Office	26,178	1,894	28,072
Insurance	72,068		72,068
Testing	97,605		97,605
Engineering Services	66,669	32,486	99,155
Professional Fees		62,057	62,057
Utilities	159,865		159,865
Vehicle Expense	79,513	3,400	82,913
Repairs & Maintenance	115,665		115,665
Depreciation	950,768		950,768
Telephone	13,018	656	13,674
Uniforms	2,265		2,265
TOTAL OPERATING EXPENSES	<u>2,150,972</u>	<u>169,077</u>	<u>2,320,049</u>
OPERATING INCOME	<u>(710,574)</u>	<u>51,019</u>	<u>(659,555)</u>
NON-OPERATING REVENUES (EXPENSE)			
Interest Income	12,050	1,622	13,672
Interest Expense	(127,738)		(127,738)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>(115,688)</u>	<u>1,622</u>	<u>(114,066)</u>
INCOME BEFORE TRANSFERS	<u>(826,262)</u>	<u>52,641</u>	<u>(773,621)</u>
TRANSFERS			
Transfers In (Out)	2,258,842	(488,951)	1,769,891
TOTAL TRANSFERS	<u>2,258,842</u>	<u>(488,951)</u>	<u>1,769,891</u>
NET INCOME (LOSS)	<u>1,432,580</u>	<u>(436,310)</u>	<u>996,270</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>25,836,408</u>	<u>2,383,129</u>	<u>28,219,537</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 27,268,988</u>	<u>\$ 1,946,819</u>	<u>\$ 29,215,807</u>

The accompanying notes are an integral part of this statement.

**BANKS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

EXHIBIT 7

	BUSINESS TYPE ACTIVITIES		
	PUBLIC UTILITIES	DEVELOPMENT AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,440,398	\$ 220,096	\$ 1,660,494
Payments to Suppliers	(655,619)	(112,284)	(767,903)
Payments to Employees	(451,043)	(56,793)	(507,836)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>333,736</u>	<u>51,019</u>	<u>384,755</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer(to) from other funds	<u>2,258,842</u>	<u>(488,951)</u>	<u>1,769,891</u>
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,258,842</u>	<u>(488,951)</u>	<u>1,769,891</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(603,931)	(1,750,345)	(2,354,276)
Principal Paid on Notes Payable	(1,406,668)		(1,406,668)
Interest Paid On Notes Payable	<u>(127,738)</u>		<u>(127,738)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,138,337)</u>	<u>(1,750,345)</u>	<u>(3,888,682)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned	<u>12,050</u>	<u>1,622</u>	<u>13,672</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,050</u>	<u>1,622</u>	<u>13,672</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	466,291	(2,186,655)	(1,720,364)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,241,970</u>	<u>2,338,029</u>	<u>3,579,999</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,708,261</u>	<u>\$ 151,374</u>	<u>\$ 1,859,635</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (710,574)	\$ 51,019	\$ (659,555)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	950,768		950,768
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	6,917		6,917
(Increase) Decrease in Prepaid Items	51,832		51,832
Increase (Decrease) in Deposits	<u>34,793</u>		<u>34,793</u>
TOTAL ADJUSTMENTS			
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 333,736</u>	<u>\$ 51,019</u>	<u>\$ 384,755</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013

EXHIBIT 8

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 923,711
TOTAL ASSETS	<u>\$ 923,711</u>
 LIABILITIES	
Due to Other Governments	\$ 745,925
Unsettled Escrow	<u>177,786</u>
TOTAL LIABILITIES	<u>923,711</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Narrative Profile

Banks County (the "County") is a political subdivision of the State of Georgia. The County was incorporated in 1858 and is governed by an elected board of five County Commissioners. As required by generally accepted accounting principles, these financial statements present all the fund types of the County and its component units, entities for which the County is considered to be financially accountable.

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

A. Financial Reporting Entity

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies taxes or issues their debt.

The County's component units are presented either as "blended" or "discretely presented". If blended, it is reported as if it were a fund of the County throughout the year. It is included at both the government-wide and fund financial reporting levels.

Discretely presented component units are reported only at the government-wide financial reporting level. The component unit columns included on the government-wide financial statements identifies the financial data of the County's discretely presented component units. They are reported separately to emphasize that they are legally separate from the County.

A brief description of the blended component unit follows:

Development Authority of Banks County - The Development of Banks County was created in 1986. The members of the governing board of the Authority are appointed by the Board of Commissioners of Banks County. Although the County does not have the authority to approve or modify the budget of the Authority, the County provides financial support of the Authority. The objective of the Development Authority of Banks County is to enable economic development and to foster sustainable development in the County. Financial information can be obtained at the County's offices. The Authority is reported as an Enterprise fund. The Authority does not issue separate financial statements.

The following component units are discretely presented in the reporting entity:

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

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

building. This Authority is reported as a component unit. The Authority does not issue separate financial statements.

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

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net position, a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. The primary government and the discretely presented component units are presented separately with the financial statements with the focus on the primary government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Individual funds are not displayed. The statements distinguish between governmental activities, generally supported by taxes, intergovernmental revenues, and other non-exchange transactions and business-type activities, which are generally financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial position of the governmental and business type activities of the County and its discretely presented component units at year end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities, for identifiable activity of the business-type activities of the County and for each major component unit. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. 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. These revenues are subject to externally imposed restrictions to these program uses.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

Taxes and other revenue sources not properly included with the program revenues are reported as general revenues of the County. The comparison between direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns with composite columns for Nonmajor funds. Fiduciary funds are presented by type.

Fund Accounting – The County uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The County uses three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds: - Governmental Funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between governmental fund assets and liabilities as fund balance. The following are the County's 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 *2012 SPLOST Capital Projects Fund* accounts for funds received from a special local 1% sales tax reserved for construction and various capital projects.

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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

Proprietary Funds: – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The County has two 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.

Non-major Governmental Funds:

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 used to account for assets that the County holds for others in an agency capacity.

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

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included in the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary funds types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

At the fund reporting level, governmental funds use the modified accrual basis of accounting and the fiduciary funds use the accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual method and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues- Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the calendar year which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current calendar year. For the County, the phrase “available for exchange transactions” means expected to be received within 60 days of year end.

Revenues – Non-exchange Transactions – Non-exchange transactions, in which the County receives value without directly giving equal value in return, includes sales tax, property taxes, grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the calendar year for which the taxes are levied. Revenue from grants and donations is recognized in the calendar year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected before June 30, 2013 for property taxes and within 60 days for other non-exchange transactions) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales tax, special assessments and federal and state grants.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred, if measurable. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

D Assets, Liabilities and Equity

1. **Cash and Investments** - Cash and cash equivalents include amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date acquired by the County. Cash and cash equivalents are reported on the balance sheets, statements of net position and in cash flow statements.

State statutes authorize the County to invest in the following types of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government Agency
- Obligations of any corporation of the United States Government
- Prime Bankers acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund 1)
- Obligations of the other political subdivisions of the State of Georgia

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

2. **Receivables** – Levied property taxes are recorded as receivables and recognized as revenue in the year they become due. The levy is made on assessed valuations as of January 1, and the taxes are due on December 20 of each year.

The tax bills are mailed at least 60 days prior to the due date. The billings are considered past due 60 days after the tax billings date or December 20, whichever is later, at which time the applicable property is subject to lien, and penalties are assessed.

All trade and property tax receivables are shown net of an allowance for uncollectibles, where applicable.

3 Interfund Balances

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.”

4 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.

5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditures/expenses in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

6 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,

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

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.

7 *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.

8 *Accrued Liabilities and 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.

9 *Fund Equity*

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

Fund balance – Generally, fund balance represents the difference between the 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.
- ***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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

Net Position Flow Assumptions – In order to report net position as a restricted-net position and an unrestricted-net position in the government-wide and proprietary fund financial statements, the County has established a flow assumption policy. It is the County's policy to use restricted – net position first before using unrestricted-net position.

Fund Balance Flow Assumptions - It is the County's policy to consider restricted fund balance to have been used before any of the components of unrestricted fund balance. Further, when the components of unrestricted

fund balance can be used for the same purpose, it is the County's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned
-

Net Position – The net position represents the difference between assets and liabilities. The net position component “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.

10 Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for water and development. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund.

11 Interfund 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.

12 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.

13 Deferred Outflows/Inflows of Resources

The County implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB No. 65, *Items Previously Reported as Assets and*

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – (Continued)

Liabilities in fiscal year 2013. This implementation resulted primarily in changes to terminology and the elimination of reporting unamortized debt issuance costs (i.e., unamortized loan origination fees) as a deferred charge.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditures) until then. The County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A Budgetary Information

The County finance director prepares a draft of the annual budget from which the Commissioners prepare a proposed budget. The County then advertises in a local newspaper giving notice regarding a public hearing in which local citizens may give their input regarding the proposed budget. The County also places a copy of the proposed budget on file for public inspection prior to actual approval. Once all of the steps have been taken, the Commissioners then formally adopt the annual, balanced budget. The legal level of control of the budget is at the department level. All appropriations lapse at year end. During the current fiscal year, there were no amendments made to the original budget.

The 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. 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. 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.

B Excess of Expenditures over Appropriations

During the fiscal year 2013, the Family Connections Special Revenue Fund had two items that exceeded appropriated amounts as shown in the preceding budgetary comparison statement.

	Final <u>Budget</u>	<u>Actual</u>	Actual over <u>Budget</u>
Family Connections			
Operating	\$ 2,750	\$ 5,359	\$ (2,609)
Contract Fees	42,250	45,000	(2,750)

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 2 – (Continued)

C – Fund Deficits

The Family Connections Fund has a deficit fund balance of \$11,139 which is expected to be eliminated in the next few years.

The E-911 Special Revenue fund has a deficit fund balance of \$3,116,795. 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.

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 State Treasurer. 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, 2013 was 46 days. At June 30, 2013, the County's balance in Georgia Fund 1 was \$3,002.

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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4- DEPOSITS

At June 30, 2013 the carrying amount of the County's deposits was \$19,105,107 and the bank balance was \$ 19,644,612. All bank balances of deposits as of June 30, 2013 are entirely insured or collateralized with securities held by the County's agent in the County's name.

NOTE 5 – RESTRICTED CASH

Primary Government

The County's restricted cash in the Governmental Activities on June 30, 2013 consisted of the following:

SPLOST	\$ 3,965,730
Capital Projects Fund	<u>2,435,795</u>
Total Restricted Cash	<u>\$ 6,401,525</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2013 consisted of the following:

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>	<u>SPLOST</u>	<u>Total</u>
Receivables:				
Taxes	\$ 665,855	\$	\$	\$ 665,855
Intergovernmental			493,039	493,039
Accounts	<u>948,599</u>	<u>82,400</u>		<u>1,030,999</u>
Total Receivables	\$ <u>1,614,454</u>	\$ <u>82,400</u>	\$ <u>493,039</u>	\$ <u>2,189,893</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, 2013 on property values. Taxes were levied on October 20, 2013 for the 2013 tax year, and were due on December 20, 2013. All unpaid taxes levied on October 20, 2013 become delinquent as of December 21, 2013. Interest and penalties accrue after December 21, 2013.

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

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2013, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Current:		
General Fund	Public Utilities	\$ 86,592
Noncurrent:		
General Fund	E-911 Fund	<u>3,523,854</u>
Total		<u>\$ 3,610,446</u>

The interfund payable from the Public Utilities fund to the General Fund is for capital asset acquisition. This amount is to be repaid within the following year.

The interfund payable from the E-911 fund to the General Fund are for annual appropriations not reimbursed. This is a long term obligation that is not expected to be repaid within one year.

INTERFUND TRANSFERS

	<u>Major Funds</u>						<u>Nonmajor Funds</u>	<u>Combined</u>
	<u>General</u>	<u>Capital Fund</u>	<u>2012 SPLOST</u>	<u>2006 SPLOST</u>	<u>Public Utility</u>	<u>Industrial Dev.</u>	<u>Hotel Motel Tax</u>	
Transfer Out To:								
Major Funds								
General	\$	\$	\$	\$	\$ (31,247)	\$	\$(236,317)	\$(267,564)
Capital Fund	(300,000)							(300,000)
Water Enterprise		(1,000,000)	(249,040)	(552,098)		(2,243,951)		(4,045,089)
Industrial Development					(1,755,000)			(1,755,000)
Transfers in from:								
Major Funds								
General		300,000						300,000
Capital Fund					1,000,000			1,000,000
2012 SPLOST					249,040			249,040
2006 SPLOST					552,098			552,098
Water Enterprise	31,247					1,755,000		1,786,247
Industrial Development					2,243,951			2,243,951
Nonmajor Funds								
Hotel Motel Tax	<u>236,317</u>							<u>236,317</u>
Total	<u>\$ (32,436)</u>	<u>\$ (700,000)</u>	<u>\$ (249,040)</u>	<u>\$ (552,098)</u>	<u>\$ 2,258,842</u>	<u>\$ (488,951)</u>	<u>\$ (236,317)</u>	<u>\$ 0</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, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
Capital Assets Not being Depreciated				
Land	\$ 125,375	\$	\$	\$ 125,375
Depreciable Assets				
Building	\$ 12,997,882	\$	\$	\$ 12,997,882
Furniture & Equipment	1,048,857	509,902		1,558,759
Fire Equipment	3,169,187	115,521		3,284,708
Machinery & Equipment	4,572,153	192,769		4,764,922
Jail	3,741,174			3,741,174
Recreation	229,194			229,194
Total Depreciable Assets	25,758,447	818,192		26,576,639
Less: Accumulated Depreciation				
Building	(2,341,731)	(274,796)		(2,616,527)
Furniture & Equipment	(267,987)	(23,320)		(291,307)
Fire Equipment	(3,127,761)	(104,587)		(3,232,348)
Machinery & Equipment	(3,730,762)	(330,504)		(4,061,266)
Jail	(196,059)	(19,275)		(215,334)
Recreation	(31,323)	(3,243)		(34,566)
Total Accumulated Depreciation	(9,695,623)	(755,725)		(10,451,348)
Net Depreciable Assets	16,062,824	62,467		16,125,291
Governmental activities assets, net	\$16,188,199	\$ 62,467	\$	\$ 16,250,666

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 379,622
Recreation	3,243
Public Safety	372,860
Total	\$ 755,725

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – (Continued)

Business-Type Activities:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
Capital Assets Not being Depreciated				
Land	\$ 1,337,939	\$ 1,795,445	\$ _____	\$ 3,133,384
Depreciable Assets				
Plant	\$ 33,586,950	\$ 603,931	\$ _____	\$ 34,190,881
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>37,850,318</u>	<u>603,931</u>	<u>_____</u>	<u>38,454,249</u>
Less: Accumulated Depreciation				
Plant	(8,647,374)	(812,770)		(9,460,144)
Furniture & Equipment	(82,147)	(7,102)		(89,249)
Road	(62,781)	(5,428)		(68,209)
Dam	(1,390,671)	(120,239)		(1,510,910)
Vehicles	(60,475)	(5,229)		(65,704)
Total Accumulated Depreciation	<u>(10,243,448)</u>	<u>(950,768)</u>	<u>_____</u>	<u>(11,194,216)</u>
Net Depreciable Assets	<u>27,606,870</u>	<u>(346,837)</u>	<u>_____</u>	<u>27,260,033</u>
Business -Type activities assets; net	<u>\$ 28,944,809</u>	<u>\$ 1,448,608</u>	<u>\$ _____</u>	<u>\$ 30,393,417</u>

Discretely Presented Component Units:

Banks County Industrial Building Authority – Activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
Recreation Building	\$ 1,499,260	\$ _____	\$ _____	\$ 1,499,260
Less Accumulated Depreciation	<u>(262,374)</u>	<u>(37,482)</u>	<u>_____</u>	<u>(299,856)</u>
Net Depreciable Assets	<u>\$ 1,236,886</u>	<u>\$ (37,482)</u>	<u>\$ _____</u>	<u>\$ 1,199,404</u>

Banks County Health Department – Activity for the year ended June 30, 2013 was as follows:

	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
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, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8 – (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
Road	40	Years
Dam	50	Years
Water and Sewer System	50	Years
Utility Plant	50	Years
Machinery and Equipment	5-20	Years

Invested in Capital Assets, Net of Related Debt

	Governmental Activities	Enterprise Fund	Component Unit
Invested in capital asset, net of related debt:			
Cost of capital assets	\$ 26,702,014	\$ 41,587,633	\$ 1,199,404
Accumulated depreciation	(10,451,348)	(11,194,216)	
Book value	16,250,666	30,393,417	1,199,404
Capital Related Debt	(467,513)	(2,804,282)	
Total	\$ 15,783,153	\$ 27,589,135	\$ 1,199,404

NOTE 9 - LONG-TERM DEBT

The following is a summary of Long-Term Debt transactions of the County for the year ended June 30, 2013:

Governmental Activities:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Bonds Payable	\$ 2,175,000.00		\$ 2,175,000.00	\$ 0	\$ 0
Bond Premium	48,341.00		48,341.00	0	0
Obligation Under Capital Leases	533,789.34		66,275.69	467,513.65	60,508.85
	\$ 2,757,130.34	\$	\$ 2,289,616.69	\$ 467,513.65	\$ 60,508.85

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.

Business Type Activities:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Long Term Notes Payable	\$ 4,210,949.78	\$ 0	\$ 1,406,668.06	\$ 2,804,281.72	\$ 139,748.86

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – (Continued)

Notes Payable – Georgia Environmental Facilities Authority

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

<u>Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2014	\$	97,888.48	\$	75,038.48	\$	172,926.96
2015		101,795.39		71,131.57		172,926.96
2016		105,858.24		67,068.72		172,926.96
2017		110,083.26		62,843.70		172,926.96
2018		114,476.92		58,450.04		172,926.96
2019-2023		644,677.44		219,957.16		864,634.60
2024-2028		<u>784,016.12</u>		<u>80,617.49</u>		<u>864,633.61</u>
	\$	<u>1,958,795.85</u>	\$	<u>635,107.16</u>	\$	<u>2,593,903.01</u>

Notes Payable – Georgia Environmental Facilities Authority

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

<u>Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2013	\$	41,860.38	\$	17,849.70	\$	59,710.08
2014		42,773.57		16,936.51		59,710.08
2015		43,706.10		16,052.00		59,758.10
2016		44,660.16		15,049.92		59,710.08
2017		45,634.43		14,075.65		59,710.08
2019-2023		243,546.90		55,004.00		298,550.90
2024-2028		271,296.01		27,254.39		298,550.40
2029-2030		<u>112,008.32</u>		<u>2,435.30</u>		<u>114,443.62</u>
	\$	<u>845,485.87</u>	\$	<u>164,657.47</u>	\$	<u>1,010,143.34</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – LEASES

Capital Leases

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

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

	Governmental Activities
Equipment	\$ 623,385
Less: Accumulated Depreciation	<u>(210,873)</u>
Net Value	\$ <u>412,512</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 were as follows:

<u>Year ending June 30</u>	Governmental Activities
2014	\$ 74,274.10
2015	<u>414,749.94</u>
Total Minimum Lease Payments	489,024.04
Less: amount representing interest	<u>21,510.39</u>
Present value of minimum lease payments	\$ <u>467,513.65</u>

Caterpillar Financing.

On November 10, 2010 the County entered into a Capital Lease with Bancorp South Equipment Finance for the acquisition of two 140M Motor Graders, one 420E Backhoe Loader, One 304C-CR Mini Hydraulic Excavator for the Road Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was \$ 560,675. The lease calls for forty-eight monthly payments of \$5,225.84 and a balloon payment of \$375,000 due one month after final monthly payment beginning December 10, 2010. This lease has interest rate of 3.4% per annum. The asset is recorded in the General Fund.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2013:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 44,301.61	\$ 13,182.60	\$ 57,484.21
2015	<u>398,692.49</u>	<u>7,662.52</u>	<u>406,355.01</u>
	\$ <u>442,994.10</u>	\$ <u>20,845.12</u>	\$ <u>463,839.22</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 – (Continued)

Caterpillar Financing.

On November 10, 2010 the County entered into a Capital Lease with Bancorp South Equipment Finance for the acquisition of a Caterpillar 930G Wheel Loader for the Road Department. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The original amount of the lease was \$ 62,710. The lease calls for forty-eight monthly payments of \$1,399.16 beginning January 1, 2011. This lease has interest rate of 3.4% per annum. The asset is recorded in the General Fund.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at June 30, 2013:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>24,519.55</u>	\$ <u>665.27</u>	\$ <u>25,184.82</u>

NOTE 11 – FUND BALANCE/NET ASSETS

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

Nonspendable:

General Fund

Prepaid expenses – For the amount in prepaid insurance in the general fund \$ 81,253

Long-term interfund receivable- For the amount due from E-911 Fund 3,610,446
\$ 3,691,699

Restricted:

2012 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 1,935,407

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 2,444,548

Nonmajor Special Revenue Funds

Judicial Programs:

Victims assistance – Used to account for surcharges on fines and forfeitures which are used to provide victims assistance. 11,722

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 11 – (Continued)

Juvenile Supervision – Used to account for surcharges on fines and forfeitures which are used in juvenile supervision programs	20,198
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	58,274
<i>Public Safety Programs:</i>	
Edward Byrne Memorial- Used to account for funds received from Grants used for capital outlay in the Sheriff's department	6
Jail Fund – To account for funds received from surcharges on fines and forfeitures restricted for operations of the County jail	3,309
Drug Surcharge Fund – Used to account for funds collected from fines and forfeitures to be used in drug treatment and education programs	85,020
<i>Health and Welfare Programs:</i>	
Pandemic Flu Grant - Used to account for funds received from grants to be used for the public health in pandemic flu prevention programs	<u>2,341</u>
	<u>\$ 4,560,825</u>
 Committed:	
 Capital Projects Fund	
Capital outlay projects - To account for funds from state grants and transfers from the general fund for capital outlay projects	<u>\$ 2,435,795</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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – (Continued)

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of an adoption agreement adopted by resolution of the County Board of Commissioners, is affiliated with the Association of County Commissioners of Georgia Second Restated Defined Benefit Plan

(The ACCG Plan, and agent multiple-employer pension plan administered by the Government Employee's Benefit Corporation (GEBCorp). The ACCG, in its role as Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of The ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of the ACCG Plan document.

The County's covered payroll for employees participating in the Plan as of January 1, 2013 (the most recent actuarial valuation date) was \$271,939 (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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – (Continued)

Contributions totaling \$15,188 (\$15,188 employer and \$0 employee) were made in accordance with actuarially determined contribution requirements determined by the actuarial valuation performed as of January 1, 2013.

Employer contributions attributable to the 2012 Plan Year were made in early 2013. 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.

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 historical trend information is 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)
12-31-12	\$696,707	\$827,738	84.1%	\$131,231	\$278,278	47.2%
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%)

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – (Continued)

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

<u>Fiscal Year December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2012	\$ 15,188	100%
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%

The information was determined as part of the actuarial valuation as of January 1, 2013. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2013
Actuarial Cost Method	Projected Unit Credit
Amortization method	Level Percent of Pay (Closed)
Remaining amortization period (The estimated amortization period for all unfunded Liabilities combined into one account.)	10 years
Asset valuation method	Market Value
Actuarial Assumptions:	
Investment rate return*	7.75%
Projected salary increases*	4.5-7.0% based on age
*Includes inflation at	3.0%
Cost-of-living adjustments	N/A
Post-retirement benefit increases	N/A

DEFINED CONTRIBUTION 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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 12 – (Continued)

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.

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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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 pools currently operating as common risk management and insurance programs for member local governments. The Association County Commissioners of Georgia (ACCG) administers both risk pools.

As part of these risk pools, the County is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverage's.

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

NOTE 15- GEORGIA MOUNTAIN REGIONAL COMMISSION

Banks County, in conjunction with cities and counties in the Northeast Georgia area, is a member of the Georgia Mountains Regional Commission (RC). Membership in an RC 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 RCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RC. The RC 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 Commission
PO Box 2534
Gainesville, Georgia 30503

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RCs 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 RC beyond its resources. (O.C.G.A. 50-8-39.1)

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 393,860	100%
Tourism Promotion	157,543	40%

NOTE 17 – EXTRAORDINARY ITEM

During the year Banks County was awarded a settlement in a civil suit over a land dispute. The total amount of the award was \$1,000,000. This money was deposited into the Capital fund and later transferred to the Public Utilities Enterprise fund. The County used the proceeds to retire two notes with the Georgia Environmental Facilities Authority.

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, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

EXHIBIT 9

	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED</u>
REVENUES				
Taxes				
Property Tax	\$ 4,829,641	\$ 4,829,641	\$ 5,265,479	\$ 435,838
Local Option Sales Tax	2,361,915	2,361,915	2,449,821	87,906
Beverage	209,400	209,400	201,876	(7,524)
Other	727,600	727,600	774,350	46,750
License and Permits	85,000	85,000	107,490	22,490
Fines & Forfeitures	550,080	550,080	610,144	60,064
Intergovernmental	0	0	269,523	269,523
Fees	1,296,000	1,296,000	1,371,898	75,898
Interest	45,000	45,000	57,824	12,824
Other	4,000	4,000	32,185	28,185
TOTAL REVENUES	<u>10,108,636</u>	<u>10,108,636</u>	<u>11,140,590</u>	<u>1,031,954</u>
EXPENDITURES				
Current:				
General Government	2,217,208	2,217,208	2,070,507	146,701
Judicial	914,809	914,809	895,576	19,233
Public Safety	5,393,192	5,393,192	4,838,006	555,186
Public Works	785,562	785,562	561,830	223,732
Health and Welfare	248,105	248,105	232,255	15,850
Culture and Recreation	615,493	615,493	553,565	61,928
Housing and Development	357,601	357,601	212,782	144,819
Debt Service				
Debt Retirement	70,000	70,000	66,276	3,724
Interest	20,000	20,000	18,450	1,550
TOTAL EXPENDITURES	<u>10,621,970</u>	<u>10,621,970</u>	<u>9,449,247</u>	<u>1,172,723</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(513,334)</u>	<u>(513,334)</u>	<u>1,691,343</u>	<u>2,204,677</u>
OTHER FINANCING SOURCES (USES)				
Transfers (To) from Other County Funds	513,334	513,334	(32,436)	(545,770)
Total Other Financing Sources (Uses)	<u>513,334</u>	<u>513,334</u>	<u>(32,436)</u>	<u>(545,770)</u>
NET CHANGE IN FUND BALANCE	0	0	1,658,907	1,658,907
FUND BALANCE - BEGINNING OF YEAR	<u>0</u>	<u>0</u>	<u>12,164,594</u>	<u>12,164,594</u>
FUND BALANCE - END OF YEAR	<u>0</u>	<u>0</u>	<u>\$ 13,823,501</u>	<u>13,823,501</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, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	SPECIAL REVENUE			
	<u>FAMILY CONNECTIONS</u>	<u>VICTIMS ASSISTANCE</u>	<u>JUVENILE SUPERVISION</u>	<u>PANDEMIC FLU GRANT</u>
ASSETS				
Cash	\$ 16,683	\$ 11,722	\$ 20,198	\$ 2,341
TOTAL ASSETS	\$ 16,683	\$ 11,722	\$ 20,198	\$ 2,341
LIABILITIES				
Accounts Payable	\$ 27,822	\$	\$	\$
TOTAL LIABILITIES	27,822			
FUND BALANCE				
Restricted:				
Judicial programs		11,722	20,198	
Public safety programs				
Health and welfare programs				2,341
Unassigned	(11,139)			
TOTAL FUND BALANCES	(11,139)	11,722	20,198	2,341
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 16,683	 \$ 11,722	 \$ 20,198	 \$ 2,341

SCHEDULE 1

SPECIAL
REVENUE

EDWARD BYRNE MEMORIAL	JAIL FUND	LAW LIBRARY	DRUG SURCHAGE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 6	\$ 3,309	\$ 58,274	\$ 85,020	\$ 197,553
\$ 6	\$ 3,309	\$ 58,274	\$ 85,020	\$ 197,553
\$	\$	\$	\$	\$ 27,822
				27,822
6	3,309	58,274	85,020	90,194
				88,335
				2,341
				(11,139)
6	3,309	58,274	85,020	169,731
\$ 6	\$ 3,309	\$ 58,274	\$ 85,020	\$ 197,553

BANKS COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE					
	FAMILY CONNECTIONS	VICTIMS ASSISTANCE	JUVENILE SUPERVISION FUND	PANDEMIC FLU GRANT	EDWARD BYRNE MEMORIAL	JAIL FUND
REVENUES						
Grants	\$ 45,147				\$ 5,178	\$
Taxes						
Local Matching	1,401	21,154	400			48,473
Fees				2		
Interest		21,154	400	2	5,178	48,473
TOTAL REVENUE	<u>46,548</u>	<u>21,154</u>	<u>400</u>	<u>2</u>	<u>5,178</u>	<u>48,473</u>
EXPENDITURES						
Tourism and Promotion		23,999			15,127	46,980
Law Enforcement						
Law Library						
Transportation System						
Family Connections	50,359					
TOTAL EXPENDITURES	<u>50,359</u>	<u>23,999</u>			<u>15,127</u>	<u>46,980</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(3,811)	(2,845)	400	2	(9,949)	1,493
OTHER FINANCING SOURCES (USES)						
Transfers Out:						
NET CHANGES IN FUND BALANCE	<u>(3,811)</u>	<u>(2,845)</u>	<u>400</u>	<u>2</u>	<u>(9,949)</u>	<u>1,493</u>
FUND BALANCE BEGINNING OF YEAR	<u>(7,328)</u>	<u>14,567</u>	<u>19,798</u>	<u>2,339</u>	<u>9,955</u>	<u>1,816</u>
FUND BALANCE END OF YEAR	<u>\$ (11,139)</u>	<u>\$ 11,722</u>	<u>\$ 20,198</u>	<u>\$ 2,341</u>	<u>\$ 6</u>	<u>\$ 3,309</u>

SCHEDULE 2

SPECIAL REVENUE					TOTAL NONMAJOR GOVERNMENTAL FUNDS
LAW LIBRARY	DRUG SURCHARGE	PUBLIC TRANSPORTATION	HOTEL MOTEL TAX		
\$	\$	\$	\$		\$
12,385	24,215	31,641	393,860		81,966
		31,641			393,860
		12,973			33,042
12,385	24,215	76,255	393,860		119,600
					2
					628,470
4,856	27,572		157,543		157,543
		76,255			113,678
					4,856
4,856	27,572	76,255	157,543		76,255
					50,359
					402,691
7,529	(3,357)		236,317		225,779
7,529	(3,357)		(236,317)		(236,317)
					(10,538)
50,745	88,377				180,269
\$ 58,274	\$ 85,020	\$	\$		\$ 169,731

BANKS COUNTY, GEORGIA
PUBLIC TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
REVENUES			
Grants	\$ 48,151	\$ 31,641	\$ (16,510)
Local Matching	48,152	31,641	(16,511)
Fees	<u>10,700</u>	<u>12,973</u>	<u>2,273</u>
TOTAL REVENUE	<u>107,003</u>	<u>76,255</u>	<u>(30,748)</u>
EXPENDITURES			
Administrative	17,480	17,480	0
Transportation	<u>89,523</u>	<u>58,775</u>	<u>30,748</u>
TOTAL EXPENDITURES	<u>107,003</u>	<u>76,255</u>	<u>30,748</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES			
FUND BALANCES BEGINNING OF YEAR	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES END OF YEAR	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>

BANKS COUNTY, GEORGIA
FAMILY CONNECTIONS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
Grants	\$ 45,000	\$ 45,147	\$ 147
Local Matching		1,401	1,401
TOTAL REVENUE	<u>45,000</u>	<u>46,548</u>	<u>1,548</u>
EXPENDITURES			
Operating	2,750	5,359	(2,609)
Per Diem & Contract Fees	<u>42,250</u>	<u>45,000</u>	<u>(2,750)</u>
TOTAL EXPENDITURES	<u>45,000</u>	<u>50,359</u>	<u>(5,359)</u>
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES		<u>(3,811)</u>	<u>(3,811)</u>
FUND BALANCES BEGINNING OF YEAR		<u>(7,328)</u>	
FUND BALANCES END OF YEAR		<u>\$ (11,139)</u>	

BANKS COUNTY, GEORGIA
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2013

SCHEDULE 5

ASSETS	TAX		PROBATE JUDGE	FEDERAL		STATE EQUITY SHARING	CLERK OF COURT	MAGISTRATE COURT	PROBATION OFFICE	COMBINED TOTALS
	COMMISSIONER	SHERIFF		EQUITY SHARING						
Cash	\$ 385,218	\$ 7,145	\$ 11,284	\$ 235,321	\$ 33,473	\$ 224,067	\$ 7,810	\$ 19,393	\$ 923,711	
TOTAL ASSETS	\$ 385,218	\$ 7,145	\$ 11,284	\$ 235,321	\$ 33,473	\$ 224,067	\$ 7,810	\$ 19,393	\$ 923,711	
LIABILITIES										
Accounts Payable										
Amounts Held in Trust	\$ 380,281	\$ 7,145	\$ 11,284	\$ 235,321	\$ 33,473	\$ 74,603	\$ 3,818	\$ 19,393	\$ 745,925	
Unsettled Escrow	4,937					149,464	3,992			177,786
TOTAL LIABILITIES	\$ 385,218	\$ 7,145	\$ 11,284	\$ 235,321	\$ 33,473	\$ 224,067	\$ 7,810	\$ 19,393	\$ 923,711	

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSET AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**TAX COMMISSIONER**

	2012	ADDITIONS	DEDUCTIONS	2013
ASSETS				
Cash	\$ 738,661	\$ 13,284,308	\$ 13,637,751	\$ 385,218
TOTAL ASSETS	\$ 738,661	\$ 13,284,308	\$ 13,637,751	\$ 385,218
LIABILITIES				
Amounts Held in Trust	\$ 442,916	\$ 13,284,308	\$ 13,346,943	\$ 380,281
Unsettled Escrow	295,745		290,808	4,937
TOTAL LIABILITIES	\$ 738,661	\$ 13,284,308	\$ 13,637,751	\$ 385,218

SHERIFF

ASSETS				
Cash	\$ 9,234	\$ 164,308	\$ 166,397	\$ 7,145
TOTAL ASSETS	\$ 9,234	\$ 164,308	\$ 166,397	\$ 7,145
LIABILITIES				
Amounts Held in Trust	\$ 9,234	\$ 164,308	\$ 166,397	\$ 7,145
TOTAL LIABILITIES	\$ 9,234	\$ 164,308	\$ 166,397	\$ 7,145

PROBATE JUDGE

ASSETS				
Cash	\$ 2,368	\$ 422,176	\$ 413,260	\$ 11,284
TOTAL ASSETS	\$ 2,368	\$ 422,176	\$ 413,260	\$ 11,284
LIABILITIES				
Amounts Held in Trust	\$ 2,368	\$ 422,176	\$ 413,260	\$ 11,284
TOTAL LIABILITIES	\$ 2,368	\$ 422,176	\$ 413,260	\$ 11,284

FEDERAL EQUITY SHARING

ASSETS				
Cash	\$ 77,681	\$ 485,044	\$ 327,404	\$ 235,321
TOTAL ASSETS	\$ 77,681	\$ 485,044	\$ 327,404	\$ 235,321
LIABILITIES				
Amounts Held in Trust	\$ 77,681	\$ 485,044	\$ 327,404	\$ 235,321
TOTAL LIABILITIES	\$ 77,681	\$ 485,044	\$ 327,404	\$ 235,321

STATE EQUITY SHARING

ASSETS				
Cash	\$ 24,763	\$ 59,657	\$ 50,947	\$ 33,473
TOTAL ASSETS	\$ 24,763	\$ 59,657	\$ 50,947	\$ 33,473
LIABILITIES				
Amounts Held in Trust	\$ 24,763	\$ 59,657	\$ 50,947	\$ 33,473
TOTAL LIABILITIES	\$ 24,763	\$ 59,657	\$ 50,947	\$ 33,473

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

SCHEDULE 6

CLERK OF COURT

	<u>2012</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>2013</u>
ASSETS				
Cash	\$ 176,028	\$ 748,690	\$ 700,651	\$ 224,067
TOTAL ASSETS	\$ 176,028	\$ 748,690	\$ 700,651	\$ 224,067
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$ 56,329	\$ 295,664	\$ 277,390	\$ 74,603
Unsettled Escrow	119,699	453,026	423,261	149,464
TOTAL LIABILITIES	\$ 176,028	\$ 748,690	\$ 700,651	\$ 224,067

MAGISTRATE

ASSETS				
Cash	\$ 4,446	\$ 101,658	\$ 98,294	\$ 7,810
TOTAL ASSETS	\$ 4,446	\$ 101,658	\$ 98,294	\$ 7,810
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$ 1,689	\$ 53,616	\$ 51,487	\$ 3,818
Unsettled Escrow	2,757	48,042	46,807	3,992
TOTAL LIABILITIES	\$ 4,446	\$ 101,658	\$ 98,294	\$ 7,810

PROBATION OFFICE

ASSETS				
Cash	\$ 18,929	\$ 51,396	\$ 50,932	\$ 19,393
TOTAL ASSETS	\$ 18,929	\$ 51,396	\$ 50,932	\$ 19,393
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$	\$ 28,625	\$ 28,625	\$
Unsettled Escrow	18,929	22,771	22,307	19,393
TOTAL LIABILITIES	\$ 18,929	\$ 51,396	\$ 50,932	\$ 19,393

TOTALS

ASSETS				
Cash	\$ 1,052,110	\$ 15,317,237	\$ 15,445,636	\$ 923,711
TOTAL ASSETS	\$ 1,052,110	\$ 15,317,237	\$ 15,445,636	\$ 923,711
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$ 614,980	\$ 14,793,398	\$ 14,662,453	\$ 745,925
Unsettled Escrow	437,130	523,839	783,183	177,786
TOTAL LIABILITIES	\$ 1,052,110	\$ 15,317,237	\$ 15,445,636	\$ 923,711

OTHER REPORTS

DUNCAN & KITCHENS, LLC

Certified Public Accountants

327-D MONROE STREET
CLARKESVILLE, GA 30523
(706) 754-5814
FAX (706) 754-9069

Joseph Duncan, CPA, ATA, ATP
Joe Kitchens, CPA

Members of
American Institute and
Georgia Society of
Certified Public Accountants

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

November 20, 2013

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2013, and the related notes to the financial statements, which collectively comprise Banks County, Georgia's basic financial statements and have issued our report thereon dated November 20, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Banks County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Banks County's internal control. 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. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as comment 13-1 to be a significant deficiency.

Compliance and Other Matters

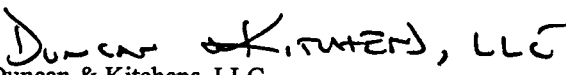
As part of obtaining reasonable assurance about whether Banks County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

Banks County, Georgia's Response to Findings

Banks County, Georgia's response to the findings identified in our audit is in the accompanying schedule of findings and questioned costs. Banks County, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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


Duncan & Kitchens, LLC
Certified Public Accountants
Clarkesville, Georgia

BANKS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Financial Statement Findings

A. Current Year Audit Finding

Comment 13-1

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

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

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

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

Management Response: Banks County management agrees with this finding and understands the requirement of AU-C 265 to issue this statement as a Significant Deficiency. All employees of the Board of Commissioners Finance Office will continue to seek training in the application of generally accepted accounting principles and in the preparation of the County's financial statements. Until such time it is financially feasible for the County finance staff to prepare the County's financial statements, the Finance Office will continue to rely on an independent auditor to prepare them.

STATE REPORTING SECTION

This section requires additional reports required by the state of Georgia.

BANKS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SCHEDULE 7

2006 SPECIAL PURPOSE LOCAL OPTION SALES TAX

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST</u>	<u>PRIOR TOTAL</u>	<u>CURRENT TOTAL</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
Courthouse Annex Building	\$ 8,000,000	\$ 7,611,322.00	\$ 100,486	96.40%
Fire/EMS Buildings and Equipment	158,000	158,000.00	585,573	470.62%
Sewage Expansion Project	1,000,000	1,353,852.00	552,098 (A)	190.60%
Roads and Bridges	1,000,000	1,479,099.00	3,327	148.24%
City Projects				
Homer	950,000	987,579.00	0	103.96%
Maysville	460,000	477,532.00	0	103.81%
Baldwin	300,000	313,512.00	0	104.50%
Alto	75,000	76,867.00	0	102.49%
Lula	57,000	58,905.00	0	103.34%
	<u>\$ 12,000,000</u>	<u>\$ 12,516,668.00</u>	<u>\$ 1,241,485</u>	

Reconciliation to Exhibit 4

Banks County General Obligation Bonds Series 2006

Principal	\$ 2,175,000
Interest	50,625
Total Expenditure per Exhibit 4	<u>\$ 3,467,110</u>

(A) The amount paid to the Public Utilities Fund was for capital expenditures in that fund. This is shown as Transfers Out to Other County Funds per Exhibit 4.

BANKS COUNTY
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SCHEDULE 7

2012 SPECIAL PURPOSE LOCAL OPTION SALES TAX

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST</u>	<u>PRIOR TOTAL</u>	<u>CURRENT TOTAL</u>	<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
Water/Sewer Improvements	\$ 4,470,000	\$ 0	\$ 249,040 (B)	5.57%
General Obligation Debt	450,000	0	0	0.00%
Roads and Bridges	4,825,500	0	0	0.00%
Public Safety	1,900,000	0	0	0.00%
Parks and Recreation	1,000,000	0	0	0.00%
Senior Center	30,000	0	0	0.00%
Vehicles	192,000	0	0	0.00%
Plotter Equipment	7,500	0	0	
City Projects				
Maysville	400,000	0	67,705	16.93%
Homer	800,000	0	135,218	16.90%
Gillsville	20,000	0	3,236	16.18%
Lula	45,000	0	7,372	16.38%
Alto	60,000	0	10,048	16.75%
Baldwin	200,000	0	33,646	16.82%
	<u>\$ 14,400,000</u>	<u>\$ 0</u>	<u>\$ 506,265</u>	

(B) The amount paid to the Public Utilities Fund was for capital expenditures in that fund. This is shown as Transfers Out to Other County Funds per Exhibit 4.