

BANKS COUNTY
HOMER, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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**BANKS COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

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**BANKS COUNTY, GEORGIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

November 26, 2014

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

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, 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 20 percent, 18 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, 2014, 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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

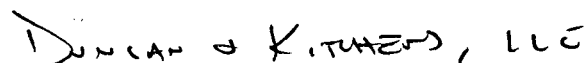
Other Information

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.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 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
Clarksville, Georgia

BASIC FINANCIAL STATEMENTS

BANKS COUNTY, GEORGIA
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT 1

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	INDUSTRIAL BUILDING AUTHORITY	BANKS COUNTY HEALTH DEPARTMENT
ASSETS					
Current Assets					
Cash	\$ 10,903,400	\$ 1,829,142	\$ 12,732,542	\$	\$ 244,888
Receivables					
Taxes	613,300		613,300		
Accounts	1,004,321	82,400	1,086,721		41,583
Intergovernmental Receivable	86,592	(86,592)			
Prepaid Expenses	83,257	23,429	106,686		
Restricted Assets					
Cash	8,592,434		8,592,434		
Receivables-SPLOST	505,630		505,630		
Total Current Assets	<u>21,788,934</u>	<u>1,848,379</u>	<u>23,637,313</u>		<u>286,471</u>
Noncurrent Assets					
Land - Non Depreciable	125,375	3,133,384	3,258,759		
Depreciable Assets, Net	<u>16,438,026</u>	<u>26,556,441</u>	<u>42,994,467</u>	<u>1,161,922</u>	
Total Noncurrent Assets	<u>16,563,401</u>	<u>29,689,825</u>	<u>46,253,226</u>	<u>1,161,922</u>	
TOTAL ASSETS	<u>\$ 38,352,335</u>	<u>\$ 31,538,204</u>	<u>\$ 69,890,539</u>	<u>\$ 1,161,922</u>	<u>\$ 286,471</u>
LIABILITIES					
Current Liabilities					
Payables	\$	\$	\$	\$	\$ 4,550
Accounts	338,222	75,000	413,222		
Intergovernmental	65,212		65,212		
Accrued Payroll	117,992		117,992		
Payroll Taxes Payable	62,697		62,697		
Accrued Vacation					25,735
Water Meter Deposits		87,956	87,956		
Lease Payable - Current	441,913		441,913		
Current Portion of Long-Term Debt		144,569	144,569		
Total Current Liabilities	<u>1,026,036</u>	<u>307,525</u>	<u>1,333,561</u>		<u>30,285</u>
Noncurrent Liabilities					
Lease Payable	140,169		140,169		
Notes Payable		2,519,964	2,519,964		
Total Noncurrent Liabilities	<u>140,169</u>	<u>2,519,964</u>	<u>2,660,133</u>		
TOTAL LIABILITIES	<u>1,166,205</u>	<u>2,827,489</u>	<u>3,993,694</u>		<u>30,285</u>
NET POSITION					
Net Investment in Capital Assets	15,981,319	27,025,292	43,006,611	1,161,922	
Restricted for:					
Capital Outlay Projects	6,016,346		6,016,346		
Judicial Programs	88,572		88,572		
Public Safety Programs	67,156		67,156		
Health and Welfare Programs	2,343		2,343		
Unrestricted	<u>15,030,394</u>	<u>1,685,423</u>	<u>16,715,817</u>		<u>256,186</u>
TOTAL NET POSITION	<u>\$ 37,186,130</u>	<u>\$ 28,710,715</u>	<u>\$ 65,896,845</u>	<u>\$ 1,161,922</u>	<u>\$ 256,186</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	\$ 2,437,811	\$ 1,648,767	\$	\$	\$ (789,044)	\$	\$	\$
Judicial	897,353	213,388			(683,965)			(683,965)
Public Safety	6,171,418	940,423		25,343	(5,205,652)			(5,205,652)
Public Works	856,914			335,451	(521,463)			(521,463)
Health and Welfare	202,745				(202,745)			(202,745)
Culture and Recreation	525,897	66,807			(459,090)			(459,090)
Housing and Development	166,159				(166,159)			(166,159)
Law Library	8,090				(8,090)			(8,090)
Family Connections	46,441		45,147		(1,294)			(1,294)
Transportation	76,225	12,973	31,641		(31,611)			(31,611)
Tourism and Promotion	165,857				(165,857)			(165,857)
Interest and Fiscal Charges	29,696				(29,696)			(29,696)
Other	803,629				(803,629)			(803,629)
Total Governmental Activities	12,388,235	2,882,358	76,788	360,794	(9,068,295)			(9,068,295)
Business-type Activities								
Public Utilities	2,277,724	1,521,750		267,905		(488,069)		(488,069)
Development Authority	149,308	208,674				59,366		59,366
Total Business-type Activities	2,427,032	1,730,424		267,905		(428,703)		(428,703)
Total Primary Government	\$ 14,815,267	\$ 4,612,782	\$ 76,788	\$ 628,699	(9,068,295)	(428,703)		(9,496,998)
Component Units:								
Industrial Building Authority	\$ 37,482	\$	\$	\$			(37,482)	24,648
Banks County Health Department	480,923	185,029	320,542					24,648
Total Component Units	\$ 518,405	\$ 185,029	\$ 320,542	\$	\$	\$	(37,482)	\$ 24,648
General Revenues:								
Taxes:								
Property					\$ 5,462,320	\$		\$ 5,462,320
Local Option Sales Tax					2,446,281			2,446,281
Special Purpose Local Option Sales Tax					2,927,911			2,927,911
Beverage					201,020			201,020
Other					1,187,871			1,187,871
Unrestricted investment earnings					68,357	11,980		80,337
Transfers- Net					88,369	(88,369)		
Total General Revenues, Extraordinary Item and Transfers					12,382,129	(76,389)		12,305,740
Change in Net Position					3,313,834	(505,092)	(37,482)	24,648
Net Position - Beginning of Year					33,872,296	29,215,807	1,199,404	231,538
Net Position - End of Year					4 \$ 37,186,130	4 \$ 28,710,715	4 \$ 1,161,922	4 \$ 256,186

The accompanying notes are an integral part of this statement.

EXHIBIT 3

BANKS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	GENERAL FUND	E-911 FUND	2012 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash	\$ 10,360,547	\$ 378,932	\$ 3,789,356	\$ 1,894,507	\$ 2,908,571	\$ 163,921	\$ 10,903,400
Restricted Cash							8,592,434
Receivables	613,300						613,300
Taxes							505,630
SPLOST			505,630				1,004,321
Accounts	1,004,321						4,019,023
Due From Other Funds	4,019,023						83,257
Prepaid Items	83,257						
TOTAL ASSETS	<u>\$ 16,080,448</u>	<u>\$ 378,932</u>	<u>\$ 4,294,986</u>	<u>\$ 1,894,507</u>	<u>\$ 2,908,571</u>	<u>\$ 163,921</u>	<u>\$ 25,721,365</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Payables	\$	\$	\$	\$	\$	\$	\$
Accounts	195,613	6,852		107,935		27,822	338,222
Intergovernmental			65,212				65,212
Accrued Payroll	117,992						117,992
Payroll Taxes Payable	62,697						62,697
Due to Other Funds	3,932,431						3,932,431
TOTAL LIABILITIES	<u>376,302</u>	<u>3,939,283</u>	<u>65,212</u>	<u>107,935</u>		<u>27,822</u>	<u>4,516,554</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	270,548						270,548
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>646,850</u>	<u>3,939,283</u>	<u>65,212</u>	<u>107,935</u>		<u>27,822</u>	<u>4,787,102</u>
FUND BALANCES							
Nonspendable:							83,257
Prepaid expenditure	83,257						3,932,431
Long Term Interfund							6,016,346
Receivable	3,932,431			1,786,572		88,572	88,572
Restricted:			4,229,774			67,156	67,156
Capital outlay projects						2,343	2,343
Judicial programs							2,908,571
Public safety programs						(21,972)	7,835,587
Health and welfare programs						136,099	20,934,263
Committed					2,908,571		
Capital outlay projects							
Unassigned	11,417,910	(3,560,351)					
TOTAL FUND BALANCES	<u>15,433,598</u>	<u>(3,560,351)</u>	<u>4,229,774</u>	<u>1,786,572</u>	<u>2,908,571</u>		<u>25,721,365</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 16,080,448</u>	<u>\$ 378,932</u>	<u>\$ 4,294,986</u>	<u>\$ 1,894,507</u>	<u>\$ 2,908,571</u>	<u>\$ 163,921</u>	<u>\$ 25,721,365</u>

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, 2014

EXHIBIT 3A

Adjustments to the Statement of Net Assets

Fund Balance	\$ 20,934,263
Capital assets \$27,792,871, net of accumulated depreciation of (\$11,229,470) used in governmental activities are not current financial resources and therefore are not reported in the governmental funds	16,563,401
Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are deferred in the fund. These are deferred property taxes.	270,548
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds Leases Payable	<u>(582,082)</u>
Total Net Position of Governmental Activities (Exhibit 1)	<u>\$ 37,186,130</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, 2014

	GENERAL FUND	E-911 FUND	2012 SPLOST	2006 SPLOST	CAPITAL FUND	NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Taxes							
Property Tax	\$ 5,588,728	\$	\$	\$		\$	\$ 5,588,728
Local Option Sales Tax	2,446,281						2,446,281
Special Purpose Local Option Sales Tax			2,927,911				2,927,911
Beverage	201,020					414,690	201,020
Other	773,181						1,187,871
License and Permits	114,733			117,877			114,733
Fines & Forfeitures	522,117						522,117
Grants	360,795						360,795
Local Matching		304,521			40,183		304,521
Fees	1,406,482	2,094	25,846	7,284	11,797		1,426,399
Interest	21,005				250,960		271,965
Other	6,687				302,940		309,627
TOTAL REVENUES	11,441,029	306,615	2,953,757	125,161	302,940	610,606	15,740,108
EXPENDITURES							
Current:							
General Government	2,140,440				164,354		2,304,794
Judicial	878,993						878,993
Public Safety	5,093,880	750,171			101,775	98,762	6,044,588
Public Works	824,383						824,383
Health and Welfare	202,745						202,745
Culture and Recreation	521,862				4,035		525,897
Housing and Development	162,040						162,040
Law Library						8,090	8,090
Family Connections						46,441	46,441
Transportation						76,255	76,255
Tourism and Promotion						165,857	165,857
Debt Service							
Principal Retirement	95,431						95,431
Interest	18,360						18,360
Capital Expenditures			365,328	783,137			1,148,465
Intergovernmental			294,062				294,062
TOTAL EXPENDITURES	9,938,134	750,171	659,390	783,137	270,164	395,405	12,796,401
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,502,895	(443,556)	2,294,367	(657,976)	32,776	215,201	2,943,707
OTHER FINANCING SOURCES (USES)							
Loan Proceeds	210,000						210,000
Transfers from Other County Funds	313,202				440,000		753,202
Transfers (to) Other County Funds	(416,000)					(248,833)	(664,833)
Total Other Financing Sources (Uses)	107,202				440,000	(248,833)	298,369
NET CHANGE IN FUND BALANCE	1,610,097	(443,556)	2,294,367	(657,976)	472,776	(33,632)	3,242,076
FUND BALANCE - BEGINNING OF YEAR	13,823,501	(3,116,795)	1,935,407	2,444,548	2,435,795	169,731	17,692,187
FUND BALANCE - END OF YEAR	\$ 15,433,598	\$ (3,560,351)	\$ 4,229,774	\$ 1,786,572	\$ 2,908,571	\$ 136,099	\$ 20,934,263

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, 2014

Adjustments to the Statement of Activities	
Net Change In Fund Balance	\$ 3,242,076
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 (\$1,090,851) exceeded Depreciation (\$778,116).	312,735
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.	(126,408)
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	95,431
Proceeds from financing, such as capital leases, are not recognized in the statement of activities, whereas they are recognized as other financing sources in the governmental funds.	<u>(210,000)</u>
Change in Net Position of Governmental Activities (Exhibit 2)	<u>\$ 3,313,834</u>

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

BANKS COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

EXHIBIT 5

BUSINESS-TYPE ACTIVITIES- ENTERPRISE FUNDS

	<u>PUBLIC UTILITIES</u>	<u>DEVELOPMENT AUTHORITY</u>	<u>TOTAL</u>
ASSETS			
Current Assets:			
Cash	\$ 1,617,354	\$ 211,788	\$ 1,829,142
Accounts Receivable	82,400		82,400
Prepaid Items	23,429		23,429
Total Current Assets	<u>1,723,183</u>	<u>211,788</u>	<u>1,934,971</u>
Non-current Assets:			
Capital Assets			
Land	1,337,939	1,795,445	3,133,384
Depreciable Assets, Net	26,556,441		26,556,441
Total Non-current Assets	<u>27,894,380</u>	<u>1,795,445</u>	<u>29,689,825</u>
 TOTAL ASSETS	 <u>\$ 29,617,563</u>	 <u>\$ 2,007,233</u>	 <u>\$ 31,624,796</u>
 LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 75,000	\$	\$ 75,000
Due to General Fund	86,592		86,592
Current Portion of Long-Term Notes	144,569		144,569
Total Current Liabilities	<u>306,161</u>	<u></u>	<u>306,161</u>
Non-current Liabilities			
Customer Deposits	87,956		87,956
Long-term Notes Payable	2,519,964		2,519,964
Total Non-current Liabilities	<u>2,607,920</u>	<u></u>	<u>2,607,920</u>
 TOTAL LIABILITIES	 <u>2,914,081</u>	 <u></u>	 <u>2,914,081</u>
 NET POSITION			
Invested in Capital Assets, Net of Related Debt	25,229,847	1,795,445	27,025,292
Unrestricted Assets	1,473,635	211,788	1,685,423
 TOTAL NET POSITION	 <u>26,703,482</u>	 <u>2,007,233</u>	 <u>28,710,715</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 29,617,563</u>	 <u>\$ 2,007,233</u>	 <u>\$ 31,624,796</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, 2014

EXHIBIT 6

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC UTILITIES	DEVELOPMENT AUTHORITY	TOTAL
OPERATING REVENUES			
Charges for Service	\$ 1,521,750	\$ 208,674	\$ 1,730,424
TOTAL OPERATING REVENUES	<u>1,521,750</u>	<u>208,674</u>	<u>1,730,424</u>
OPERATING EXPENSES			
Salaries	472,613	78,787	551,400
Water Purchased	36,639		36,639
Payroll Tax	40,972		40,972
Training	2,270		2,270
Employee Retirement	16,287		16,287
Office	17,928	1,867	19,795
Insurance	82,230		82,230
Testing	100,806		100,806
Engineering Services	82,541	68,224	150,765
Utilities	189,226	430	189,656
Vehicle Expense	33,760		33,760
Repairs & Maintenance	121,372		121,372
Depreciation	971,497		971,497
Telephone	13,321		13,321
Uniforms	3,374		3,374
TOTAL OPERATING EXPENSES	<u>2,184,836</u>	<u>149,308</u>	<u>2,334,144</u>
OPERATING INCOME	<u>(663,086)</u>	<u>59,366</u>	<u>(603,720)</u>
NON-OPERATING REVENUES (EXPENSE)			
Contributions	267,905		267,905
Interest Income	10,932	1,048	11,980
Interest Expense	(92,888)		(92,888)
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>185,949</u>	<u>1,048</u>	<u>186,997</u>
INCOME BEFORE TRANSFERS	<u>(477,137)</u>	<u>60,414</u>	<u>(416,723)</u>
TRANSFERS			
Transfers In (Out)	(88,369)		(88,369)
TOTAL TRANSFERS	<u>(88,369)</u>	<u></u>	<u>(88,369)</u>
NET INCOME (LOSS)	<u>(565,506)</u>	<u>60,414</u>	<u>(505,092)</u>
TOTAL NET POSITION - BEGINNING OF YEAR	<u>27,268,988</u>	<u>1,946,819</u>	<u>29,215,807</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 26,703,482</u>	<u>\$ 2,007,233</u>	<u>\$ 28,710,715</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, 2014**

EXHIBIT 7

	BUSINESS TYPE ACTIVITIES		
	PUBLIC UTILITIES	DEVELOPMENT AUTHORITY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 1,521,750	\$ 208,674	\$ 1,730,424
Payments to Suppliers	(829,970)	(70,521)	(900,491)
Payments to Employees	(472,613)	(78,787)	(551,400)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>219,167</u>	<u>59,366</u>	<u>278,533</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer(to) from other funds	(88,369)		(88,369)
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>(88,369)</u>		<u>(88,369)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(267,905)		(267,905)
Principal Paid on Notes Payable	(139,749)		(139,749)
Interest Paid On Notes Payable	(92,888)		(92,888)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(500,542)</u>		<u>(500,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned	10,932	1,048	11,980
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>10,932</u>	<u>1,048</u>	<u>11,980</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(358,812)	60,414	(298,398)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,708,261</u>	<u>151,374</u>	<u>1,859,635</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,349,449</u>	<u>\$ 211,788</u>	<u>\$ 1,561,237</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (663,086)	\$ 59,366	\$ (603,720)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities			
Depreciation	971,497		971,497
Changes in Assets and Liabilities			
Increase (Decrease) in Deposits	(89,244)		(89,244)
TOTAL ADJUSTMENTS			
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 219,167</u>	<u>\$ 59,366</u>	<u>\$ 278,533</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2014

EXHIBIT 8

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 1,334,131
TOTAL ASSETS	\$ <u>1,334,131</u>
 LIABILITIES	
Due to Other Governments	\$ 911,511
Unsettled Escrow	<u>422,620</u>
TOTAL LIABILITIES	\$ <u>1,334,131</u>

The accompanying notes are an integral part of this statement.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014

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, 2014 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, 2014

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, 2014, 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, 2014

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, 2014

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

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

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, 2014

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 2014, the Family Connections Special Revenue Fund had one item that exceeded appropriated amounts as shown in the preceding budgetary comparison statement.

Department		Budget		Actual		Variance
Family Connections						
Contract Fees	\$	42,250	\$	45,000	\$	(2,750)

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – (Continued)

C – Fund Deficits

The Family Connections Fund has a deficit fund balance of \$21,972 which is expected to be eliminated in the next few years.

The E-911 Special Revenue fund has a deficit fund balance of \$3,560,351. 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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 – (Continued)

The Georgia Fund 1 is rated AAAm by Standards and Poor's. The weighted average maturity at June 30, 2014 was 46 days. At June 30, 2014, the County's balance in Georgia Fund 1 was \$3,005.

Concentration of Credit Risk

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

Foreign Currency Risk

The County has no investments denominated in a foreign currency.

NOTE 4– DEPOSITS

At June 30, 2014 the carrying amount of the County's deposits was \$22,659,107 and the bank balance was \$ 23,524,400. All bank balances of deposits as of June 30, 2014 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, 2014 consisted of the following:

SPLOST	\$ 5,683,863
Capital Projects Fund	<u>2,908,571</u>
Total Restricted Cash	<u>\$ 8,592,434</u>

NOTE 6 - RECEIVABLES

Receivables at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>		<u>Enterprise Fund</u>	<u>SPLOST</u>	<u>Total</u>
Receivables:					
Taxes	\$ 613,300	\$		\$	613,300
Intergovernmental				505,630	505,630
Accounts	<u>1,004,321</u>		<u>82,400</u>		<u>1,086,721</u>
Total Receivables	\$ <u>1,617,621</u>	\$	<u>82,400</u>	\$ <u>505,630</u>	\$ <u>2,205,651</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – (Continued)

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, 2014 for the 2013 tax year, and were due on December 20, 2014. All unpaid taxes levied on October 20, 2013 become delinquent as of December 21, 2014. Interest and penalties accrue after December 21, 2014.

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

NOTE 7 – INTERFUND BALANCES

DUE TO - FROM OTHER FUNDS

Balances due to/from other funds at June 30, 2014, 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	\$ 3,932,431
Subtotal		<u>\$ 4,019,023</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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – (Continued)

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.

INTERFUND TRANSFERS					
		Major Funds			Nonmajor Funds
		General	Capital Fund	Public Utility	Hotel Motel Tax
					Combined
Transfer Out To:					
<i>Major Funds</i>					
General	\$	\$		\$ (64,369)	\$ (248,832) \$ (313,201)
Capital Fund		(416,000)		(24,000)	(440,000)
Water Enterprise					-
Transfers In From:					
<i>Major Funds</i>					
General			416,000		416,000
Capital Fund					-
Water Enterprise	64,369		24,000		88,369
<i>Nonmajor Funds</i>					
Hotel Motel Tax	248,832				248,832
	\$ (102,799)	\$ 440,000	\$ (88,369)	\$ (248,832)	\$ 0

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 - CHANGES IN FIXED ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance 7/1/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2014</u>
Primary Government:				
Capital Assets not being Depreciated				
Land	\$ 125,375	\$ -	\$ -	\$ 125,375
Depreciable assets				
Buildings	12,997,882	225,322		13,223,204
Furniture & Equipment	1,558,759	683,195	-	2,241,954
Fire Equipment	3,284,708	-		3,284,708
Machinery & Equipment	4,764,922	86,990	-	4,851,912
Jail	3,741,174	-	-	3,741,174
Recreation	229,194	95,344	-	324,538
Total depreciable assets	<u>26,576,639</u>	<u>1,090,851</u>	<u>-</u>	<u>27,667,490</u>
Less: Accumulated Depreciation				
Buildings	(2,616,527)	(276,940)		(2,893,467)
Furniture & Equipment	(291,307)	(23,986)	-	(315,293)
Fire Equipment	(3,232,348)	(106,953)		(3,339,301)
Machinery & Equipment	(4,061,266)	(342,136)	-	(4,403,402)
Jail	(215,334)	(24,256)	-	(239,590)
Recreation	-34566	(3,845)	-	(38,411)
Total accumulated depreciation	<u>(10,451,348)</u>	<u>(778,116)</u>	<u>-</u>	<u>(11,229,464)</u>
Total depreciable assets, net	<u>16,125,291</u>	<u>312,735</u>	<u>-</u>	<u>16,438,026</u>
Governmental Activities capital assets, net	<u>\$ 16,250,666</u>	<u>\$ 312,735</u>	<u>\$ -</u>	<u>\$ 16,563,401</u>

Depreciation was charged to governmental functions as follows:

General Government Administration	\$ 390,870
Recreation	3,339
Public Safety	<u>383,907</u>
Total	<u>\$ 755,725</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – (Continued)

Business-Type Activities:

	<u>Balance 7/1/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2014</u>
Business-type Activities Capital Assets not being Depreciated				
Land	\$ 3,133,384	\$ -	\$ -	\$ 3,133,384
Depreciable assets				
Plant	34,190,881	244,201	-	34,435,082
Furniture & Equipment	132,842	-	-	132,842
Road	175,069	-	-	175,069
Dam	3,878,261	-	-	3,878,261
Vehicles	77,196	23,704	-	100,900
Total depreciable assets	<u>38,454,249</u>	<u>267,905</u>	<u>-</u>	<u>38,722,154</u>
Less: Accumulated Depreciation				
Plant	(9,460,144)	(830,490)	-	(10,290,634)
Furniture & Equipment	(89,249)	(7,257)	-	(96,506)
Road	(68,209)	(5,546)	-	(73,755)
Dam	(1,510,910)	(122,861)	-	(1,633,771)
Vehicles	(65,704)	(5,343)	-	(71,047)
Total accumulated depreciation	<u>(11,194,216)</u>	<u>(971,497)</u>	<u>-</u>	<u>(12,165,713)</u>
Total depreciable assets, net	<u>27,260,033</u>	<u>(703,592)</u>	<u>-</u>	<u>26,556,441</u>
Business-type Activities capital assets, net	<u>\$ 30,393,417</u>	<u>\$ (703,592)</u>	<u>\$ -</u>	<u>\$ 29,689,825</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – (Continued)

Discretely Presented Component Units:

Banks County Industrial Building Authority – Activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance 7/1/2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2014</u>
Banks County Industrial Building Authority				
Depreciable assets				
Recreation Building	1,499,260	-	-	1,499,260
Less: Accumulated				
Depreciation	(299,856)	(37,482)	-	(337,338)
Net Depreciable Assets	<u>1,199,404</u>	<u>(37,482)</u>	<u>-</u>	<u>\$ 1,161,922</u>

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

General Government Buildings	40	Years
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

	<u>Governmental Activities</u>	<u>Enterprise Fund</u>	<u>Component Unit</u>
Invested in capital asset, net of related debt:			
Cost of capital assets	\$ 27,792,865	\$ 41,855,538	\$ 1,499,260
Accumulated depreciation	(11,229,464)	(12,165,713)	(337,338)
Book value	16,563,401	29,689,825	1,161,922
Capital Related Debt	(582,082)	(2,664,533)	
Total	<u>\$ 15,981,319</u>	<u>\$ 27,025,292</u>	<u>\$ 1,161,922</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - LONG-TERM DEBT

The following is a summary of Long-Term Debt transactions of the County for the year ended June 30, 2014:

Governmental Activities:

	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Obligations Under					
Capital Lease	\$ 467,514	\$ 210,000	\$ 95,432	\$ 582,082	\$ 441,913
	<u>\$ 467,514</u>	<u>\$ 210,000</u>	<u>\$ 95,432</u>	<u>\$ 582,082</u>	<u>\$ 441,913</u>

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

Business Type Activities:

	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Long Term					
Notes Payable	\$ 2,804,282	\$ -	\$ 139,749	\$ 2,664,533	\$ 144,569
	<u>\$ 2,804,282</u>	<u>\$ -</u>	<u>\$ 139,749</u>	<u>\$ 2,664,533</u>	<u>\$ 144,569</u>

Notes Payable – Georgia Environmental Facilities Authority

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

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – (Continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 101,795	\$ 71,132	\$ 172,927
2016	105,858	67,069	172,927
2017	110,083	62,844	172,927
2018	114,477	58,450	172,927
2019	119,046	53,881	172,927
2020-2024	670,408	194,227	864,635
2024-2028	639,240	52,467	691,707
Totals	<u>\$ 1,860,908</u>	<u>\$ 560,069</u>	<u>\$ 2,420,976</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.

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 42,774	\$ 16,937	\$ 59,710
2016	43,706	16,052	59,758
2017	44,660	15,050	59,710
2018	45,634	14,076	59,710
2019	46,630	13,080	59,710
2020-2024	248,860	49,691	298,551
2024-2029	277,214	21,336	298,550
2030	54,147	587	54,734
Totals	<u>\$ 803,625</u>	<u>\$ 146,808</u>	<u>\$ 950,433</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Year ending June 30</u>	<u>Governmental Activities</u>
2015	\$ 455,246
2016	45,721
2017	45,722
2018	45,721
2019	11,431
Total Minimum Lease Payments	603,841
Less: amount representing interest	(21,759)
Present value of minimum lease payments	<u>\$ 582,082</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, 2014:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 393,466	\$ 7,663	\$ 401,129
Totals	<u>\$ 393,466</u>	<u>\$ 7,663</u>	<u>\$ 401,129</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 8,312	\$ 83	\$ 8,395
Totals	<u>\$ 8,312</u>	<u>\$ 83</u>	<u>\$ 8,395</u>

Bancorp South Equipment

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, 2014:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 40,135	\$ 5,587	\$ 45,722
2016	41,508	4,213	45,721
2017	42,929	2,793	45,722
2018	44,397	1,324	45,721
2019	11,335	96	11,431
Totals	<u>\$ 180,304</u>	<u>\$ 14,013</u>	<u>\$ 194,317</u>

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$ 83,257

Long-term interfund receivable- For the amount due from E-911 Fund 3,932,431
\$ 4,015,688

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 4,229,774

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 1,786,572

Nonmajor Special Revenue Funds

Judicial Programs:

Victims assistance – Used to account for surcharges on fines and forfeitures which are used to provide victims assistance. 9,338

Juvenile Supervision – Used to account for surcharges on fines and forfeitures which are used in juvenile supervision programs 20,278

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 58,956

Public Safety Programs:

Jail Fund – To account for funds received from surcharges on fines and forfeitures restricted for operations of the County jail 18,365

Drug Surcharge Fund – Used to account for funds collected from fines and forfeitures to be used in drug treatment and education programs 48,791

Health and Welfare Programs:

Pandemic Flu Grant - Used to account for funds received from grants to be used for the public health in pandemic flu prevention programs 2,343
\$ 6,174,417

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – (Continued)

Committed:

Capital Projects Fund

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

\$2,908,571

NOTE 12 - EMPLOYEE RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

(A) PLAN DESCRIPTION

The County contributes to the Association of County Commissioners of Georgia (ACCG) Defined Benefit Plan (Plan), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia. The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time, the contribution rates for the County and its plan participants. The Plan issues a stand-alone report. This report may be obtained from: GEBCorp, 400 Galleria Parkway, Suite 1250, Atlanta, Georgia, 30339.

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

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

The County's covered payroll for employees participating in the Plan as of January 1, 2014 (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

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 – (Continued)

retires and chooses to receive accruals after the date of the plan freeze shall forfeit their accrual balance from the newly implemented defined contribution plan.

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

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

(B) FUNDING POLICY

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

Contributions totaling \$15,804 (\$15,804 employer and \$0 employee) were made in accordance with actuarially determined contribution requirements determined by the actuarial valuation performed as of January 1, 2014.

Employer contributions attributable to the 2013 Plan Year were made in early 2014. The employer contribution represents 4.9% of covered payroll (using the prior year's earnings as a base).

(C) ANNUAL PENSION COST

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

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 – (Continued)

The historical trend information is as follows:

Schedule of Funding Progress						
Measurement	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Date	Value of	Liability	(UAAL)	Ratio	Payroll	Percentage
	(a)	(b)	(b-a)	(a/b)	(c)	of Covered
						Payroll
						((b-a)/c)
12/31/2013	\$ 743,173	\$ 827,721	\$ 84,548	89.8%	\$ 271,939	31.1%
12/31/2012	696,707	827,738	131,231	84.1%	278,278	47.2%
12/31/2011	705,288	803,299	98,011	87.8%	315,955	31.0%
12/31/2010	715,037	828,324	113,287	86.3%	367,112	30.9%
12/31/2009	713,932	801,799	87,867	89.0%	347,973	25.3%
12/31/2008	693,428	761,788	68,360	91.0%	315,498	21.7%
12/31/2007	759,019	746,491	(12,528)	101.7%	372,539	-3.4%

The annual required contribution and percentage contributed are as follows:

Pension Cost Information		
Plan Year	Annual	Percentage
Ended	Pension	of APC
December 31	Cost (APC)	Contributed
2013	\$ 15,188	95%
2012	15,188	100%
2011	15,773	100%
2010	18,241	100%
2009	17,568	100%
2008	10,668	100%
2007	15,077	100%

The information was determined as part of the actuarial valuation as of January 1, 2014. 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	10 years
(The estimated amortization period for all unfunded	
Liabilities combined into one account.)	
Asset valuation method	Market Value
Actuarial Assumptions:	
Investment rate return*	7.75%
Projected salary increases*	4.5-7.0% based on age

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 – (Continued)

*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.

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.

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13- CONTINGENT LIABILITIES

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

NOTE 14 - RISK MANAGEMENT

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

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

BANKS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 15 – (Continued)

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)

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	\$ 414,690	100%
Tourism Promotion	165,857	40%

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, 2014

EXHIBIT 9

	<u>ORIGINAL BUDGET</u>	<u>BUDGET AS AMENDED</u>	<u>ACTUAL</u>	<u>VARIANCE FROM AMENDED</u>
REVENUES				
Taxes				
Property Tax	\$ 4,829,191	\$ 4,829,191	\$ 5,588,728	\$ 759,537
Local Option Sales Tax	2,457,826	2,457,826	2,446,281	(11,545)
Beverage	197,850	197,850	201,020	3,170
Other	722,600	722,600	773,181	50,581
License and Permits	92,757	92,757	114,733	21,976
Fines & Forfeitures	532,500	532,500	522,117	(10,383)
Intergovernmental	0	0	360,795	360,795
Fees	1,209,000	1,209,000	1,406,482	197,482
Interest	40,000	40,000	21,005	(18,995)
Other	7,300	7,300	6,687	(613)
TOTAL REVENUES	<u>10,089,024</u>	<u>10,089,024</u>	<u>11,441,029</u>	<u>1,352,005</u>
EXPENDITURES				
Current:				
General Government	2,269,901	2,269,901	2,140,440	129,461
Judicial	939,424	939,424	878,993	60,431
Public Safety	5,126,481	5,126,481	5,093,880	32,601
Public Works	839,796	839,796	824,383	15,413
Health and Welfare	221,157	221,157	202,745	18,412
Culture and Recreation	592,561	592,561	521,862	70,699
Housing and Development	308,458	308,458	162,040	146,418
Debt Service				
Debt Retirement	100,000	100,000	95,431	4,569
Interest	20,000	20,000	18,360	1,640
TOTAL EXPENDITURES	<u>10,417,778</u>	<u>10,417,778</u>	<u>9,938,134</u>	<u>479,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(328,754)</u>	<u>(328,754)</u>	<u>1,502,895</u>	<u>1,831,649</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	210,000	210,000	210,000	0
Transfers (To) from Other County Funds	(188,329)	(188,329)	(102,798)	85,531
Total Other Financing Sources (Uses)	<u>21,671</u>	<u>21,671</u>	<u>107,202</u>	<u>85,531</u>
NET CHANGE IN FUND BALANCE	(307,083)	(307,083)	1,610,097	1,917,180
FUND BALANCE - BEGINNING OF YEAR	<u>307,083</u>	<u>307,083</u>	<u>13,823,501</u>	<u>13,516,418</u>
FUND BALANCE - END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,433,598</u>	<u>\$ 15,433,598</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, 2014**

	SPECIAL REVENUE			
	<u>FAMILY CONNECTIONS</u>	<u>VICTIMS ASSISTANCE</u>	<u>JUVENILE SUPERVISION</u>	<u>PANDEMIC FLU GRANT</u>
ASSETS				
Cash	\$ 5,850	\$ 9,338	\$ 20,278	\$ 2,343
TOTAL ASSETS	<u>\$ 5,850</u>	<u>\$ 9,338</u>	<u>\$ 20,278</u>	<u>\$ 2,343</u>
LIABILITIES				
Accounts Payable	\$ 27,822	\$	\$	\$
TOTAL LIABILITIES	<u>27,822</u>			
FUND BALANCE				
Restricted:				
Judicial programs		9,338	20,278	
Public safety programs				2,343
Health and welfare programs				
Unassigned	(21,972)			
TOTAL FUND BALANCES	<u>(21,972)</u>	<u>9,338</u>	<u>20,278</u>	<u>2,343</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 5,850</u>	 <u>\$ 9,338</u>	 <u>\$ 20,278</u>	 <u>\$ 2,343</u>

SCHEDULE 1

SPECIAL REVENUE			
JAIL FUND	LAW LIBRARY	DRUG SURCHARGE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ 18,365	\$ 58,956	\$ 48,791	\$ 163,921
\$ 18,365	\$ 58,956	\$ 48,791	\$ 163,921
\$	\$	\$	\$ 27,822
			27,822
18,365	58,956	48,791	88,572
			67,156
			2,343
			(21,972)
18,365	58,956	48,791	136,099
\$ 18,365	\$ 58,956	\$ 48,791	\$ 163,921

BANKS COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE				
	FAMILY CONNECTIONS	VICTIMS ASSISTANCE	JUVENILE SUPERVISION FUND	PANDEMIC FLU GRANT	EDWARD BYRNE MEMORIAL
REVENUES					
Grants	\$ 32,450				
Taxes					
Local Matching	2,829	16,028	380		42,302
Fees				2	
Interest	329				
TOTAL REVENUE	<u>35,608</u>	<u>16,028</u>	<u>380</u>	<u>2</u>	<u>42,302</u>
					\$
EXPENDITURES					
Tourism and Promotion		18,412	300		27,246
Law Enforcement				6	
Law Library					
Transportation System					
Family Connections	<u>46,441</u>	<u>18,412</u>	<u>300</u>		<u>27,246</u>
TOTAL EXPENDITURES	<u>46,441</u>				
EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES	(10,833)	(2,384)	80	2	(6)
					15,056
OTHER FINANCING SOURCES (USES)					
Transfers Out:					
NET CHANGES IN FUND BALANCE	<u>(10,833)</u>	<u>(2,384)</u>	<u>80</u>	<u>2</u>	<u>(6)</u>
					15,056
FUND BALANCE BEGINNING OF YEAR	<u>(11,139)</u>	<u>11,722</u>	<u>20,198</u>	<u>2,341</u>	<u>6</u>
					3,309
FUND BALANCE END OF YEAR	<u>\$ (21,972)</u>	<u>\$ 9,338</u>	<u>\$ 20,278</u>	<u>\$ 2,343</u>	<u>\$ 18,365</u>

SCHEDULE 2

SPECIAL REVENUE					TOTAL NONMAJOR GOVERNMENTAL FUNDS
LAW LIBRARY	DRUG SURCHARGE	PUBLIC TRANSPORTATION	HOTEL MOTEL TAX		
\$	\$	\$	\$		\$
8,772	16,569	31,641	414,690		64,091
		31,641			414,690
		12,973			34,470
8,772	16,569	76,255	414,690		97,024
					331
					610,606
8,090	52,798		165,857		165,857
		76,255			98,762
8,090	52,798	76,255	165,857		8,090
					76,255
					46,441
					395,405
682	(36,229)		248,833		215,201
682	(36,229)		(248,833)		(248,833)
					(33,632)
58,274	85,020				169,731
58,956	48,791				136,099
\$	\$	\$	\$		\$

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, 2014

REVENUES	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
Grants	\$ 48,151	\$ 31,641	\$ (16,510)
Local Matching	48,152	31,641	(16,511)
Fees	10,700	12,973	2,273
TOTAL REVENUE	<u>107,003</u>	<u>76,255</u>	<u>(30,748)</u>
EXPENDITURES			
Administrative	17,480	17,480	0
Transportation	89,523	58,775	30,748
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, 2014

REVENUES	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FROM BUDGET
Grants	\$ 45,000	\$ 32,450	\$ (12,550)
Local Matching		3,158	3,158
TOTAL REVENUE	<u>45,000</u>	<u>35,608</u>	<u>(9,392)</u>
 EXPENDITURES			
Operating	2,750	1,441	1,309
Per Diem & Contract Fees	<u>42,250</u>	<u>45,000</u>	<u>(2,750)</u>
TOTAL EXPENDITURES	<u>45,000</u>	<u>46,441</u>	<u>(1,441)</u>
 EXCESS -DEFICIENCY REVENUES OVER EXPENDITURES		<u>(10,833)</u>	<u>(10,833)</u>
 FUND BALANCES BEGINNING OF YEAR		<u>(11,139)</u>	
 FUND BALANCES END OF YEAR		<u>\$ (21,972)</u>	

BANKS COUNTY, GEORGIA
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2014

SCHEDULE 5

ASSETS	TAX		SHERIFF	PROBATE JUDGE	FEDERAL		STATE EQUITY SHARING	CLERK OF COURT	MAGISTRATE COURT	PROBATION OFFICE	COMBINED TOTALS
	COMMISSIONER				EQUITY SHARING						
Cash	\$ 546,654	\$	9,190	\$ 5,143	\$ 151,760	\$	48,403	\$ 552,644	\$ 4,629	\$ 15,708	\$ 1,334,131
	<u>546,654</u>	<u>\$</u>	<u>9,190</u>	<u>5,143</u>	<u>151,760</u>	<u>\$</u>	<u>48,403</u>	<u>552,644</u>	<u>4,629</u>	<u>15,708</u>	<u>1,334,131</u>
TOTAL ASSETS											
	\$ 541,717	\$	9,190	\$ 5,143	\$ 151,760	\$	48,403	\$ 153,239	\$ 2,059	\$	\$ 911,511
Accounts Payable	4,937							399,405	2,570	15,708	422,620
Amounts Held in Trust											
Unsettled Escrow											
TOTAL LIABILITIES	\$ 546,654	\$	9,190	\$ 5,143	\$ 151,760	\$	48,403	\$ 552,644	\$ 4,629	\$ 15,708	\$ 1,334,131

BANKS COUNTY, GEORGIA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSET AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SCHEDULE 6

TAX COMMISSIONER

	<u>2013</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>2014</u>
ASSETS				
Cash	\$ 385,218	\$ 15,483,531	\$ 15,322,095	\$ 546,654
TOTAL ASSETS	\$ 385,218	\$ 15,483,531	\$ 15,322,095	\$ 546,654
LIABILITIES				
Amounts Held in Trust	\$ 380,281	\$ 15,483,531	\$ 15,322,095	\$ 541,717
Unsettled Escrow	4,937			4,937
TOTAL LIABILITIES	\$ 385,218	\$ 15,483,531	\$ 15,322,095	\$ 546,654

SHERIFF

ASSETS				
Cash	\$ 7,145	\$ 166,482	\$ 164,437	\$ 9,190
TOTAL ASSETS	\$ 7,145	\$ 166,482	\$ 164,437	\$ 9,190
LIABILITIES				
Amounts Held in Trust	\$ 7,145	\$ 166,482	\$ 164,437	\$ 9,190
TOTAL LIABILITIES	\$ 7,145	\$ 166,482	\$ 164,437	\$ 9,190

PROBATE JUDGE

ASSETS				
Cash	\$ 11,284	\$ 320,782	\$ 326,923	\$ 5,143
TOTAL ASSETS	\$ 11,284	\$ 320,782	\$ 326,923	\$ 5,143
LIABILITIES				
Amounts Held in Trust	\$ 11,284	\$ 320,782	\$ 326,923	\$ 5,143
TOTAL LIABILITIES	\$ 11,284	\$ 320,782	\$ 326,923	\$ 5,143

FEDERAL EQUITY SHARING

ASSETS				
Cash	\$ 235,321	\$ 3,354	\$ 86,915	\$ 151,760
TOTAL ASSETS	\$ 235,321	\$ 3,354	\$ 86,915	\$ 151,760
LIABILITIES				
Amounts Held in Trust	\$ 235,321	\$ 3,354	\$ 86,915	\$ 151,760
TOTAL LIABILITIES	\$ 235,321	\$ 3,354	\$ 86,915	\$ 151,760

STATE EQUITY SHARING

ASSETS				
Cash	\$ 33,473	\$ 144,371	\$ 129,441	\$ 48,403
TOTAL ASSETS	\$ 33,473	\$ 144,371	\$ 129,441	\$ 48,403
LIABILITIES				
Amounts Held in Trust	\$ 33,473	\$ 144,371	\$ 129,441	\$ 48,403
TOTAL LIABILITIES	\$ 33,473	\$ 144,371	\$ 129,441	\$ 48,403

**BANKS COUNTY
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSET AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE 6

CLERK OF COURT

	<u>2013</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>2014</u>
ASSETS				
Cash	\$ 224,067	\$ 956,513	\$ 627,936	\$ 552,644
TOTAL ASSETS	<u>\$ 224,067</u>	<u>\$ 956,513</u>	<u>\$ 627,936</u>	<u>\$ 552,644</u>
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$ 74,603	\$ 651,042	\$ 572,406	\$ 153,239
Unsettled Escrow	149,464	305,471	55,530	399,405
TOTAL LIABILITIES	<u>\$ 224,067</u>	<u>\$ 748,690</u>	<u>\$ 700,651</u>	<u>\$ 552,644</u>

MAGISTRATE

ASSETS				
Cash	\$ 7,810	\$ 81,933	\$ 85,114	\$ 4,629
TOTAL ASSETS	<u>\$ 7,810</u>	<u>\$ 81,933</u>	<u>\$ 85,114</u>	<u>\$ 4,629</u>
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$ 3,818	\$ 53,447	\$ 55,206	\$ 2,059
Unsettled Escrow	3,992	28,486	29,908	2,570
TOTAL LIABILITIES	<u>\$ 7,810</u>	<u>\$ 81,933</u>	<u>\$ 85,114</u>	<u>\$ 4,629</u>

PROBATION OFFICE

ASSETS				
Cash	\$ 19,393	\$ 50,968	\$ 54,653	\$ 15,708
TOTAL ASSETS	<u>\$ 19,393</u>	<u>\$ 50,968</u>	<u>\$ 54,653</u>	<u>\$ 15,708</u>
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$	\$ 0	\$ 0	
Unsettled Escrow	19,393	50,968	54,653	15,708
TOTAL LIABILITIES	<u>\$ 19,393</u>	<u>\$ 50,968</u>	<u>\$ 54,653</u>	<u>\$ 15,708</u>

TOTALS

ASSETS				
Cash	\$ 923,711	\$ 17,207,934	\$ 16,797,514	\$ 1,334,131
TOTAL ASSETS	<u>\$ 923,711</u>	<u>\$ 17,207,934</u>	<u>\$ 16,797,514</u>	<u>\$ 1,334,131</u>
LIABILITIES				
Accounts Payable				
Amounts Held in Trust	\$ 745,925	\$ 16,823,009	\$ 16,657,423	\$ 911,511
Unsettled Escrow	177,786	384,925	140,091	422,620
TOTAL LIABILITIES	<u>\$ 923,711</u>	<u>\$ 17,207,934</u>	<u>\$ 16,797,514</u>	<u>\$ 1,334,131</u>

OTHER REPORTS

DUNCAN & KITCHENS, LLC

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

November 26, 2014

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, 2014, 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 26, 2014. Our report includes a reference to other auditors who audited the financial statements of the Banks County Health Department, as described in our report on Banks County, Georgia's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Banks County, Georgia's internal control over financial reporting (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
Clarksville, Georgia

BANKS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014

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	\$ 7,711,808.00	\$ 110,863	97.78%
Fire/EMS Buildings and Equipment	158,000	743,573.00	319,744	672.99%
Sewage Expansion Project	1,000,000	1,905,950.00	182,462	208.84%
Roads and Bridges	1,000,000	1,482,426.00	170,068	165.25%
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>13,758,152.00</u>	\$ <u>783,137</u>	

BANKS COUNTY
SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	\$ 249,040	\$ 312,680	12.57%
General Obligation Debt	450,000	0	0	0.00%
Roads and Bridges	4,825,500	0	30,256	0.63%
Public Safety	1,900,000	0	0	0.00%
Parks and Recreation	1,000,000	0	2,500	0.25%
Senior Center	30,000	0	0	0.00%
Vehicles	192,000	0	19,892	10.36%
Plotter Equipment	7,500	0	0	
City Projects				
Maysville	400,000	67,705	74,447	35.54%
Homer	800,000	135,218	148,548	35.47%
Gillsville	20,000	3,236	3,558	33.97%
Lula	45,000	7,372	19,462	59.63%
Alto	60,000	10,048	11,048	35.16%
Baldwin	200,000	33,646	36,999	35.32%
	<u>\$ 14,400,000</u>	<u>\$ 506,265</u>	<u>\$ 659,390</u>	

