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BULLOCH COUNTY, GEORGIA

ANNUAL FINANCIAL REPORT

DEPT. OF AUDITS
FOR THE YEAR ENDED JUNE 30, 2006
NALGAD

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Bulloch County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bulloch County, Georgia, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bulloch County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bulloch County Board of Health and the Development Authority of Bulloch County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bulloch County Board of Health and the Development Authority of Bulloch County, is based on the reports 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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 Bulloch County, Georgia, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006 on our consideration of Bulloch County, Georgia's internal control over financial reporting and on 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 Audit Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bulloch County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and schedule of projects paid with SPLOST proceeds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and schedule of projects paid with SPLOST proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Thigpen, Lanier, Waterhill & Dal

December 22, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Bulloch County, Georgia's (the "County") annual financial report, the County's management is pleased to provide this narrative discussion and analysis of the financial activities of the County for the fiscal year ended June 30, 2006. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The County had total net assets (assets exceeded liabilities) of \$67,301,067 at 2006 fiscal year-end. That is \$1,820,044 (or 2.8%) higher than the total net assets of \$65,481,023 at 2005 fiscal year-end. Fiscal year 2005 had seen a \$1,912,779 (or 3.0%) increase in total net assets from the \$63,568,244 in fiscal year 2004. *This is a very positive trend, documenting that the County is investing in the needed infrastructure, buildings, and equipment for a growing County, while simultaneously preserving adequate liquidity to meet normal cash flow requirements and any emergencies.*
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$45,885,068 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. The figure for fiscal year 2005 was \$43,784,975. That is an increase of \$2,100,093 (or 4.8%) for fiscal year 2006. The figure for fiscal year 2004 was \$41,711,113. That was an increase of \$2,073,862 (or 5.0%) for fiscal year 2005. *This is a very positive trend as it indicates that the County is making adequate investments in capital assets, while meeting its operating expenses.*
 - (2) Net assets of \$15,059,779 are restricted by constraints imposed from outside the County such as debt covenants, grantors, laws, or regulations. That is \$600,662 (or 4.1%) more than the fiscal year 2005 amount of \$14,459,117.
 - (3) Unrestricted net assets of \$6,356,220 represent the portion available to maintain the County's continuing obligations to citizens and creditors. This is a \$880,711 (or 12.2%) decrease from the fiscal year 2005 total of \$7,236,931. Unrestricted net assets also decreased in fiscal year 2005. *This trend is negative because the decline of unrestricted net assets gives the County less financial flexibility.*
- The County's governmental funds reported total ending fund balance of \$29,497,411 in fiscal year 2006, compared to \$21,230,166 in fiscal year 2005. This is an increase of \$8,267,245 (or 38.9%). This was primarily due to a higher rate of accumulation in fund balance for the 2002 Special Local Option Sales Tax (SPLOST) Fund, and the establishment of a construction escrow account for the County Jail Expansion project which will be paid from future SPLOST 2007 proceeds. The fiscal year 2005 ending fund balance showed a decrease of \$1,185,642 (or 5.3%). The unreserved fund balance of \$29,254,155 for fiscal year 2006 is an \$8,255,467 (or 39.3%) increase from fiscal year 2005. Unreserved fund balance of \$20,998,688 for fiscal year 2005 was a \$4,406,513 (or 26.5%) increase from the \$16,592,175 in fiscal year 2004.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$5,253,620 (or 22.4%) of total General Fund expenditures and net of other financing sources and uses. That compares to \$6,539,571 (or 28.6%) of total General Fund expenditures, net of other financing sources and uses in fiscal year 2005. Fiscal year 2004's unreserved fund balance for the General Fund was \$8,753,861 (or 38.2%) of total General Fund expenditures and net of other financing sources and uses.

- **Overall, despite an increase in capital assets, the County is showing a declining and more negative operating financial position.** Overall, in Fiscal Year 2006, Bulloch County continued to make significant investment in capital assets and service delivery, while at the same time being under pressure to maintain optimal levels of financial strength and liquidity. However, revenue growth has been restricted to a level consistent with the overall Consumer Price Index, while varying segments of operating and capital expenditures have been subject to escalating rates of inflation tied to commodities such as energy and building materials. This is the result of a structural budget deficit for Bulloch County over the last five years. The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Bulloch County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Bulloch County.

Basic Financial Statements

The first statements of the basic financial statements are the **Government-wide Financial Statements** of the County. They include a Statement of Net Assets and a Statement of Activities concerning the County and its discretely presented component units. The government-wide financial statements are presented on pages 20 and 21.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements. The fund financial statements are presented on pages 22-31.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's *non-major governmental funds*, all of which are added together in one column on the basic financial statements. Budgetary information required by the Official Code of Georgia Annotated also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County and its discretely presented component units' finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County and its discretely presented component units' financial status as a whole. The government-wide statements report the County and its discretely presented component units' net assets and how they have changed. Net assets are the difference between total assets and total liabilities. Measuring net assets is one way to gauge the County and its discretely presented component units' financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as general government, public safety, public works, community and economic development, and community services. Property taxes and sales taxes finance most of these activities. Also, included in governmental activities are multiple special revenue funds where transfers are used to help fund deficits where user charges are insufficient to fund the full direct costs. These activities include (among others) the airport, E-911, recreation, and solid waste disposal and convenience center operations of Bulloch County. A summary

of the County's discretely presented component units is also included. The county provides partial funding to these units as a part of governmental activities.

The business-type activities are those that assess a charge or user fee to the customers they provide services to. These activities include the Aquatic Center and the Agribusiness Center. The County also has an internal service fund, which is a proprietary fund that accounts for employee paid premiums collected as revenues, and claims paid to a third party administrator for employee health insurance related expenses.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bulloch County, like all other governmental entities in Georgia, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements or standards, such as the Official Code of Georgia Annotated, Generally Accepted Accounting Principles and the Governmental Accounting Standards Board. All of the funds of Bulloch County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs.

The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Bulloch County adopts an annual budget for its General Fund, as required by the Official Code of Georgia Annotated 36-81-3. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

The basic governmental fund financial statements are presented on pages 22-27 of this report.

Proprietary Funds: Proprietary funds are reported in the fund financial statements and generally report services for which the County assesses fees or user charges. Two of the County's proprietary funds are classified as enterprise funds: the Aquatic Center Fund and the Agribusiness Center Fund. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. A third proprietary fund: the Employee Insurance Fund is an internal service fund to account for transactions for the self-funded county group health insurance plan.

The basic proprietary fund financial statements are presented on pages 28-30 of this report.

Agency Funds: Agency funds are used to account for assets the County holds on behalf of the Sheriff, Emergency Medical Services, Probation, the Clerk of Courts, Probate Court, the Magistrate Court, the Greater Statesboro Fire District and the Tax Commissioner.

The basic agency fund financial statement is presented on page 31 of this report.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 32 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying note disclosures, this report also presents certain required supplementary information concerning the County's budget presentations. The budgetary comparison statement is included as a basic financial statement for the general fund. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the County's adopted and final revised budget.

During the fiscal year, the Board of Commissioners adopted by resolution several budget amendments, or revisions, to the original budget resolutions. As discussed, the County reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in this section of this report beginning on page 53.

Financial Analysis of the County as a Whole

Financial Strength

As a part of examining the County's past financial trends, Bulloch County financial staff annually measure key financial ratios used by both the credit industry and the Government Finance Officers Association to determine liquidity and debt capacity. These ratios reflect the period ending June 30, 2006 for governmental activities. Below is a description of the indicators used.

Current Ratio: This is a measure of the County's ability to meet short-term debt obligations; the higher the ratio, the more liquid the entity is. Current ratio is equal to current assets divided by current liabilities. If the current assets of a county are more than twice the current liabilities, then that county is generally considered to have good short-term financial strength. If current liabilities exceed current assets, then the county may have problems meeting its short-term obligations.

Total Debt to Equity Ratio: This is a measure of the County's financial leverage calculated by dividing long-term debt by total net assets. It indicates what proportion of equity and debt the entity is using to finance its assets.

Working Capital (also called Net Current Assets): This is a measure of current assets minus current liabilities. Working capital measures how much in liquid assets the County has available for operations and growth. The number can be positive or negative, depending on how much debt is carried. In general, counties that have a lot of working capital will be more successful since they can expand and improve their operations and infrastructure. Counties with negative working capital may lack the funds necessary for growth.

Current Liabilities Ratio: Current liabilities are those obligations that are currently due at the end of a fiscal year plus the portion of long-term debt that will become due during the next fiscal year. Current liabilities include accounts payable, short-term debt, accrued liabilities, and current maturities of long-term debt.

Operating Position: This is a measure of the unrestricted balance or portion of net assets available, either in the General Fund, or in an enterprise fund as a percentage of annual operating revenue. This measure shows the ability to withstand financial emergencies or to accumulate funds for capital purchases without having to borrow.

Ratio of General Debt Outstanding: This measure is the amount of general obligation debt in the form of bonds backed by the full faith and credit of the government.

Debt Limit Ratio: Direct debt is bonded debt for which the local government has pledged its full faith and credit. This long-term debt indicator uses assessed valuation in the denominator and assumes that property taxes are the primary source of debt repayment. This indicator does not include capital lease obligations since they are not "legal" debt.

Legal Debt Margin: This is the actual amount that which the local government can pledge its full faith and credit.

Net Overlapping Debt: The overlapping debt indicator measures the ability of the community's tax base to repay the long-term general obligation debt obligations issued by all of its governmental and quasi-governmental jurisdictions. If other jurisdictions default, the community may have contingent, moral, or political obligations to assume the debt, provide the services, or both.

Net Direct Long-Term Debt Per Capita: This measure indicates the net direct obligation of total general obligation debt divided by the population of the community.

Financial Strength Ratios	2006 Governmental Activities	2005 Governmental Activities	Standard	2006 Adherence to Standard
Current Ratio	8.8	10.1	2.0 or >	Positive
Total Debt to Equity Ratio	0.255	.328	1.0 or <	Positive
Working Capital	\$58,838,338	\$57,038,877	NA	Positive
Current Liabilities Ratio	0.101	0.067	0.05 or <	Negative
Operating Position	0.234	0.296	0.25 or >	Negative
Ratio of General Debt Outstanding	0.0%	0.0%	0.0%	Positive
Debt Limit Ratio	0.0%	0.0%	0.0%	NA
Legal Debt Margin	100.0%	100.0%	100.0%	Positive
Net Overlapping Debt	\$15,450,000 (2)	\$15,450,000 (2)	NA	NA
Net Direct Long-Term Debt Per Capita	\$0.00	\$0.00	NA	NA

(1) NA - Not applicable.

(2) Bulloch County Board of Education - 100%.

Upon examining Bulloch County financial ratios against developed standards, it's noted that with exception to current liabilities and operating position, the other ratios indicate favorable or positive financial strength. *It should be noted that the negative declining trend in Bulloch County's current liabilities indicates a greater reliance on short term debt to fund current operations, and the negative declining trend in operating position has been in place for at least the last six fiscal years and indicates a structural budget deficit. It should be noted further that with the exception of working capital, all ratios are showing declines*

Summary of Net Assets

As noted earlier, Bulloch County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County implemented the new financial reporting model used in this report beginning with fiscal year 2004. As year-to-year financial information is accumulated on a consistent basis, changes in net assets will be observed and used to discuss the changing financial position of the County as a whole. The County had total net assets (assets exceeded liabilities) of \$67,301,067 at 2006 fiscal year-end compared to the fiscal year 2005 figure of \$65,481,023. The following table provides a summary of the County's net assets:

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Percentage of Total</u>	
	2006	2005	2006	2005	2006	2005	2006	2005
Assets								
Current Assets	33,080,400	23,347,926	619,491	351,306	33,699,891	23,699,232	39.4%	32.7%
Capital Assets	43,960,829	40,657,931	7,876,327	8,090,830	51,837,156	48,748,761	60.6%	67.3%
Total Assets	77,041,229	64,005,857	8,495,818	8,442,136	85,537,047	72,447,993	100.0%	100.0%
Liabilities								
Current Liabilities	3,759,596	2,307,648	33,809	-	3,793,405	2,307,648	20.8%	33.1%
Long-Term Liabilities	14,443,295	4,659,322	-	-	14,443,295	4,659,322	79.2%	66.9%
Total Liabilities	18,202,891	6,966,970	33,809	-	18,235,980	6,966,970	100.0%	100.0%
Net Assets								
Invested in Capital Assets, Net of Debt	38,008,741	35,694,145	7,876,327	8,090,830	45,885,068	43,784,975	68.2%	66.9%
Restricted – Capital Projects	13,560,181	13,261,411	-	-	13,560,181	13,261,411	20.2%	20.2%
Restricted – Other Purposes	1,499,598	1,197,706	-	-	1,499,598	1,197,706	2.2%	1.8%
Unrestricted	5,769,818	6,885,625	586,402	351,306	6,356,220	7,236,931	9.4%	11.1%
Total Net Assets	58,838,338	57,038,887	8,462,729	8,442,136	67,301,067	65,481,023	100.0%	100.0%

The County reported positive balances in net assets for both governmental and business-type activities. Net assets for fiscal year 2006 increased by \$1,799,451 for governmental activities, and by \$20,593 for business-type activities. Net assets for fiscal year 2005 decreased by \$6,391,019 for governmental activities and increased by \$8,303,798 for business type activities.

Note that in fiscal year 2006 and in fiscal year 2005, respectively 64.5% and 62.6% of the governmental activities' net assets were tied up in capital assets. This documents that the County continues to invest adequately in the capital assets needed to provide services, while meeting its ongoing operating expenses. On the business type activities, the County has spent 93.1% in fiscal year 2006, and 95.8% in fiscal year 2005 of its net assets on capital. This is not unusual, as the County's business type activities are unique and very capital intensive operations. Expansion of these systems is necessary for the continued growth of these enterprises and their added value to the local economy. 68.2% in fiscal year 2006, and 66.9% in fiscal year 2005 of the County's total net assets were included in capital assets.

Summary of Changes in Net Assets

	2006				2005			
	Governmental Activities	Business Activities	Total	Percentage of Total	Governmental Activities	Business Activities	Total	Percentage of Total
Program Revenues								
Fees, Fines, Charges for Services	9,389,379	1,267,948	10,657,327	27.7%	9,211,104	1,066,826	10,277,930	28.6%
Operating Grants and Contributions	2,403,237	-	2,403,237	6.2%	2,373,639	-	2,373,639	6.6%
Capital Grants and Contributions	833,540	-	833,540	2.2%	564,951	-	564,951	1.6%
General Revenues								
Taxes	23,189,284	-	23,189,284	60.1%	21,365,324	-	21,365,324	59.4%
Other	1,455,527	14,915	1,470,442	3.8%	1,376,464	-	1,376,464	3.8%
Total Revenues	37,270,967	1,282,863	38,553,830	100.0%	34,891,482	1,066,826	35,958,298	100.0%
Program Expenses								
General Government	3,044,111	-	3,044,111	8.6%	3,384,257	-	3,384,257	10.2%
Judicial	2,317,738	-	2,317,738	6.5%	2,318,489	-	2,318,489	7.0%
Public Safety	13,328,746	-	13,328,746	37.7%	11,394,271	-	11,394,271	34.4%
Roads	3,440,966	-	3,440,966	9.7%	2,849,631	-	2,849,631	8.6%
Sanitation	1,887,713	-	1,887,713	5.3%	2,542,215	-	2,542,215	7.7%
Health and Welfare	352,219	-	352,219	1.0%	377,619	-	377,619	1.2%
Libraries and Recreation	3,885,998	-	3,885,998	11.0%	3,687,062	-	3,687,062	11.1%
Airport	597,260	-	597,260	1.7%	443,150	-	443,150	1.3%
Housing and Development	1,093,366	-	1,093,366	3.1%	2,579,154	-	2,579,154	7.8%
Intergovernmental	3,980,348	-	3,980,348	11.2%	2,135,685	-	2,135,685	6.4%
Interest	194,496	-	194,496	0.6%	270,334	-	270,334	0.8%
Aquatic Center	-	1,120,527	1,120,527	3.2%	-	1,008,116	1,008,116	3.0%
Agribusiness Center	-	148,500	148,500	0.4%	-	144,986	144,986	0.4%
Other	-	-	-	-	27,684	-	27,684	0.1%
Total Expenses	34,122,961	1,269,027	35,391,988	100.0%	32,009,551	1,153,102	33,162,653	100.0%
Excess (Deficiency)	3,148,006	13,836	3,161,842		2,881,931	(86,276)	2,795,655	
Transfers	(29,343)	29,343	-		(218,899)	218,899	-	
Change in Net Assets	3,118,663	43,179	3,161,842		2,663,032	132,623	2,795,655	
Prior Period Adjustment	(1,319,212)	(22,586)	(1,341,798)		(9,054,051)	8,171,175	(882,876)	
Beginning Net Assets	57,038,887	8,442,136	65,481,023		63,429,906	138,338	63,568,244	
Ending Net Assets	58,838,338	8,462,729	67,301,067		57,038,887	8,442,136	65,481,023	

Governmental Activities: Revenues

Bulloch County is one of only eight counties out of 159 in Georgia that do not receive any of the 1% Local Option Sales Tax (LOST). A local Constitutional Amendment was passed by the Georgia General Assembly in the 1981 Session (Georgia Laws, 1981, p. 1931) which called for a referendum on the question of whether or not the local option sales tax should go to the Bulloch County Board of Education, with a dollar for dollar reduction in the school property tax. The referendum passed on November 2, 1982. Since that time, this money has gone to the Board of Education. Since most Georgia counties and cities negotiate a formula to distribute LOST proceeds among themselves, the absence of this availability puts Bulloch County's basic units of local government at a distinct disadvantage relative to almost all the other cities and counties in the state. Ultimately, it means that we have to rely more heavily on the local property tax and user fees than these other cities and counties. For example, if the county and municipal governments had split this approximately \$9,000,000 in local option sales taxes in fiscal year 2006, Bulloch County could have potentially realized \$4,500,000 in additional revenue.

However, Bulloch County and its municipalities do share the proceeds of a 1% Special Purpose Local Option Sales Tax (SPLOST), which has passed referendums in both 1997 and 2002 for five-year terms. At first glance it appears that the County is heavily reliant on sales taxes to support governmental operations. In fiscal year 2005, sales taxes of \$8,587,081 out of \$34,588,301 in total governmental funds revenues, or 24.8%, were received from the 2002 SPLOST. However, all of that money was spent on capital outlay, not operating costs, as the SPLOST funds are earmarked by state law specifically for capital outlay only. Similarly, in fiscal year 2006, \$9,714,763 in sales taxes represented 26.1% of the \$37,270,122 in governmental funds revenues.

Because of its healthy financial position, comparative to many other counties, Bulloch County has been able to earn \$865,833 in fiscal year 2006, and \$438,472 in fiscal year 2005, in interest to support governmental activities. Also, note that program revenues covered 37.0% in fiscal year 2006, and 38.0% in fiscal year 2005 of governmental operating expenses. This means that the government's taxpayers and the County's other general revenues funded the remaining 63.0% in fiscal year 2006, and 62.0% in fiscal year 2005 of the governmental activities.

Property taxes are an important source of revenue to Bulloch County's General Fund. In fiscal year 2006, property tax revenues were \$11,197,343 (or 50.5% of total revenues), in fiscal year 2005, \$10,758,097 (or 49.6% of total revenues), and in fiscal year 2004, \$10,848,014 (or 47.4% of total revenues). This further illustrates the County's high dependence on property tax sources noted above.

Governmental Activities: Functional Expenses

Public safety is the county's largest functional cost, comprising 39.1% of the County's total governmental activity expenses and 37.7% of total County expenses. In fiscal year 2005, those figures were 35.6% and 34.4% respectively. In fiscal year 2006, general government totals 8.9% of the total governmental activity expense, and 8.6% of the total County expenses. In fiscal year 2005, general government totaled 10.6% of the total governmental activity expenses, and 10.2% of the total County expenses indicating the County's commitment to minimize the cost of administrative support services in favor of providing direct services to its citizens.

The following table presents the cost of each of the County's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the County's taxpayers by each of these functions.

	Governmental Activities			
	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government	3,044,111	(991,633)	3,384,257	(1,410,525)
Judicial	2,317,738	(1,658,867)	2,318,489	(1,770,393)
Public Safety	13,328,746	(8,156,887)	11,394,271	(5,675,895)
Roads	3,440,966	(2,689,325)	2,849,631	(2,347,699)
Sanitation	1,887,713	(1,238,340)	2,542,215	(1,929,897)
Health and Welfare	352,219	(352,219)	377,619	(366,088)
Libraries and Recreation	3,885,998	(2,359,677)	3,687,062	(2,534,668)
Airport	597,260	21,575	443,150	18,192
Housing and Development	1,093,366	(572,265)	2,579,154	(2,057,946)
Intergovernmental	3,980,348	(3,304,671)	2,135,685	(1,486,920)
Interest	194,496	(194,496)	270,334	(270,334)
Other	-	-	27,684	(27,684)
Total	34,122,961	(21,496,805)	32,009,551	(19,859,857)