

PICKENS COUNTY, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

INTRODUCTORY SECTION

PICKENS COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Commissioner of Roads and Revenues
of Pickens County, Georgia
Jasper, 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 **Pickens County, Georgia** (the "County"), as of and for the year ended December 31, 2007, which collectively comprise Pickens County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County'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 Pickens County Department of Public Health, which represent 19 percent, 64 percent, and 75 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Pickens County Department of Public Health is based 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 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 report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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 Pickens County, Georgia as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2008, on our consideration of Pickens 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 Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information and schedule of funding progress (on pages 37 through 39) are not a required part of the basic financial statements, but are 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.

The County has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pickens County, Georgia's basic financial statements. The combining and individual fund financial statements and schedules, Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Pickens County, Georgia. The combining and individual fund financial statements and schedules, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
July 10, 2008

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS DECEMBER 31, 2007

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 12,365,642	\$ 455,218	\$ 12,820,860
Investments	-	-	-
Taxes receivable	5,607,513	-	5,607,513
Accounts receivable, net of allowances	652,059	122,585	774,644
Notes receivable	58,470	-	58,470
Due from other governments	1,341,940	-	1,341,940
Prepaid assets	59,354	-	59,354
Inventories	23,114	58,929	82,043
Internal balances	1,019,042	(1,019,042)	-
Capital assets, non-depreciable	2,920,229	1,650,292	4,570,521
Capital assets, depreciable, net of accumulated depreciation	26,218,812	12,209,179	38,427,991
Other non-current assets	147,927	68,793	216,720
Total assets	50,414,102	13,545,954	63,960,056
LIABILITIES			
Accounts payable	2,267,005	108,636	2,375,641
Accrued liabilities	361,033	182,741	543,774
Unearned revenues	365,184	236,117	601,301
Capital leases due within one year	140,458	7,821	148,279
Capital leases due in more than one year	599,439	12,433	611,872
Compensated absences due within one year	193,983	11,790	205,773
Compensated absences due in more than one year	-	-	-
Notes payable due within one year	950,951	119,622	1,070,573
Notes payable due in more than one year	10,227,883	1,772,688	12,000,571
Bonds payable due within one year	-	74,826	74,826
Bonds payable due in more than one year	-	7,106,436	7,106,436
Landfill postclosure costs due within one year	10,545	-	10,545
Landfill postclosure costs due in more than one year	274,170	-	274,170
Total liabilities	15,390,651	9,633,110	25,023,761
NET ASSETS			
Investment in capital assets, net of related debt	17,220,310	4,765,645	21,985,955
Restricted for grant programs	58,470	-	58,470
Restricted for capital projects	8,208,710	-	8,208,710
Restricted for other	-	-	-
Unrestricted	9,535,961	(852,801)	8,683,160
Total net assets	\$ 35,023,451	\$ 3,912,844	\$ 38,936,295

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

Component Units	
Health Department	Industrial Development Authority
\$ 233,377	\$ 231,104
329,455	101,767
-	-
4,960	8,828
-	2,174,196
11,556	-
-	-
1,925	-
-	-
-	-
22,760	-
-	-
<u>604,033</u>	<u>2,515,895</u>
-	8,868
7,107	8,828
-	-
-	-
-	-
21,659	-
-	36,612
-	2,137,584
-	-
-	-
-	-
-	-
<u>28,766</u>	<u>2,191,892</u>
22,760	-
-	-
-	-
148,878	-
<u>403,629</u>	<u>324,003</u>
<u>\$ 575,267</u>	<u>\$ 324,003</u>

PICKENS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,520,437	\$ 2,650,379	\$ 512,265	\$ -
Judicial	4,000,397	2,003,939	1,156,532	-
Public safety	9,623,534	658,707	348,607	-
Public works	2,837,741	354,378	-	775,323
Health and welfare	288,587	-	-	-
Recreation	751,102	153,876	-	-
Housing and development	1,021,336	16,737	-	-
Interest on long-term debt	473,977	-	-	-
Total governmental activities	<u>21,517,111</u>	<u>5,838,016</u>	<u>2,017,404</u>	<u>775,323</u>
Business-type activities:				
Water	2,183,539	1,717,919	-	-
Airport	237,953	205,117	-	-
Total business-type activities	<u>2,421,492</u>	<u>1,923,036</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,938,603</u>	<u>\$ 7,761,052</u>	<u>\$ 2,017,404</u>	<u>\$ 775,323</u>
Component units:				
Health Department	\$ 544,948	\$ 227,698	\$ 297,472	\$ -
Industrial Development Authority	163,136	171,502	-	-
Total component units	<u>\$ 708,084</u>	<u>\$ 399,200</u>	<u>\$ 297,472</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

**Net (Expense) Revenue and
Changes in Net Assets**

Governmental Activities	Business-type Activities	Total	Component Units	
			Health Department	Industrial Development Authority
\$ 642,207	\$ -	\$ 642,207	\$ -	\$ -
(839,926)	-	(839,926)	-	-
(8,616,220)	-	(8,616,220)	-	-
(1,708,040)	-	(1,708,040)	-	-
(288,587)	-	(288,587)	-	-
(597,226)	-	(597,226)	-	-
(1,004,599)	-	(1,004,599)	-	-
(473,977)	-	(473,977)	-	-
<u>(12,886,368)</u>	<u>-</u>	<u>(12,886,368)</u>	<u>-</u>	<u>-</u>
-	(465,620)	(465,620)	-	-
-	(32,836)	(32,836)	-	-
-	(498,456)	(498,456)	-	-
<u>(12,886,368)</u>	<u>(498,456)</u>	<u>(13,384,824)</u>	<u>-</u>	<u>-</u>
-	-	-	(19,778)	-
-	-	-	-	8,366
<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,778)</u>	<u>8,366</u>
8,492,756	-	8,492,756	-	-
7,892,776	-	7,892,776	-	-
1,481,427	-	1,481,427	-	-
284,215	4,372	288,587	-	-
36,908	-	36,908	-	5,710
-	8,573	8,573	-	-
(1,145,008)	1,145,008	-	-	-
<u>17,043,074</u>	<u>1,157,953</u>	<u>18,201,027</u>	<u>-</u>	<u>5,710</u>
4,156,706	659,497	4,816,203	(19,778)	14,076
30,866,745	3,253,347	34,120,092	595,045	309,927
<u>\$ 35,023,451</u>	<u>\$ 3,912,844</u>	<u>\$ 38,936,295</u>	<u>\$ 575,267</u>	<u>\$ 324,003</u>

PICKENS COUNTY, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

ASSETS	General	SPLOST	Other Governmental Funds	Total
Cash and cash equivalents	\$ 3,884,175	\$ 7,975,560	\$ 505,907	\$ 12,365,642
Taxes receivable, net	4,894,046	713,467	-	5,607,513
Accounts receivable	452,309	-	199,750	652,059
Accounts receivable - loans	-	-	58,470	58,470
Due from other governments	1,062,584	-	279,356	1,341,940
Due from other funds	1,240,927	-	-	1,240,927
Prepaid assets	-	59,354	-	59,354
Inventory	23,114	-	-	23,114
Total assets	\$ 11,557,155	\$ 8,748,381	\$ 1,043,483	\$ 21,349,019
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,725,767	\$ 462,578	\$ 78,660	\$ 2,267,005
Accrued liabilities	267,130	-	80,241	347,371
Deferred revenue	1,058,134	-	-	1,058,134
Due to other funds	-	77,093	144,792	221,885
Total liabilities	3,051,031	539,671	303,693	3,894,395
FUND BALANCES				
Fund balances:				
Reserved for:				
Inventory	23,114	-	-	23,114
Revolving loans	-	-	58,470	58,470
Capital projects	-	8,208,710	-	8,208,710
Unreserved, undesignated reported in:				
General fund	8,483,010	-	-	8,483,010
Special revenue funds	-	-	681,320	681,320
Total fund balances	8,506,124	8,208,710	739,790	17,454,624
Total liabilities and fund balances	\$ 11,557,155	\$ 8,748,381	\$ 1,043,483	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,139,041
Some receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	692,950
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(12,411,091)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds.	147,927
Net assets of governmental activities	\$ 35,023,451

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

PICKENS COUNTY, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$ 13,016,110	\$ 4,632,445	\$ 45,057	\$ 17,693,612
Intergovernmental	1,876,211	-	786,660	2,662,871
Licenses and permits	634,990	-	-	634,990
Charges for services	3,014,396	-	1,513,672	4,528,068
Fines and forfeitures	482,482	-	51,259	533,741
Interest	117,493	153,518	13,204	284,215
Other revenues	77,040	-	87,133	164,173
Contributions	6,900	-	-	6,900
Total revenues	<u>19,225,622</u>	<u>4,785,963</u>	<u>2,496,985</u>	<u>26,508,570</u>
Expenditures:				
Current:				
General government	3,414,796	-	43,147	3,457,943
Judicial	2,502,524	-	1,482,875	3,985,399
Public safety	7,523,707	-	1,354,983	8,878,690
Public works	3,934,627	-	-	3,934,627
Health and welfare	271,059	-	-	271,059
Culture and recreation	869,168	-	-	869,168
Housing and development	896,577	-	162,618	1,059,195
Capital outlay	-	2,066,847	-	2,066,847
Debt service:				
Principal	999,785	443,848	-	1,443,633
Interest	228,416	268,400	-	496,816
Total expenditures	<u>20,640,659</u>	<u>2,779,095</u>	<u>3,043,623</u>	<u>26,463,377</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,415,037)</u>	<u>2,006,868</u>	<u>(546,638)</u>	<u>45,193</u>
Other financing sources (uses):				
Transfers in	1,500	-	513,353	514,853
Transfers out	(1,658,361)	-	(1,500)	(1,659,861)
Issuance of notes payable	804,383	-	-	804,383
Sale of capital assets	510,103	-	-	510,103
Total other financing sources (uses)	<u>(342,375)</u>	<u>-</u>	<u>511,853</u>	<u>169,478</u>
Net change in fund balances	(1,757,412)	2,006,868	(34,785)	214,671
Fund balances, beginning of year	<u>10,263,536</u>	<u>6,201,842</u>	<u>774,575</u>	<u>17,239,953</u>
Fund balances, end of year	<u>\$ 8,506,124</u>	<u>\$ 8,208,710</u>	<u>\$ 739,790</u>	<u>\$ 17,454,624</u>

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

PICKENS COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 214,671
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,551,731
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(473,195)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	173,347
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	674,295
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>15,857</u>
Net increase in governmental activities	<u>\$ 4,156,706</u>

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

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2007

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 454,179	\$ 1,039	\$ 455,218
Accounts receivable, net of allowances	120,402	2,183	122,585
Due from other funds	20,197	-	20,197
Inventory	22,644	36,285	58,929
Total current assets	<u>617,422</u>	<u>39,507</u>	<u>656,929</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	343,382	1,306,910	1,650,292
Depreciable assets	13,774,770	1,244,476	15,019,246
Less accumulated depreciation	(2,629,199)	(180,868)	(2,810,067)
Total capital assets net of accumulated depreciation	<u>11,488,953</u>	<u>2,370,518</u>	<u>13,859,471</u>
Debt issuance costs, net	68,793	-	68,793
Total noncurrent assets	<u>11,557,746</u>	<u>2,370,518</u>	<u>13,928,264</u>
Total assets	<u>12,175,168</u>	<u>2,410,025</u>	<u>14,585,193</u>
LIABILITIES			
Current liabilities:			
Accounts payable	103,021	5,615	108,636
Accrued expenses	193,343	1,188	194,531
Due to other funds	1,039,239	-	1,039,239
Unearned revenue	-	236,117	236,117
Capital leases payable - current	7,821	-	7,821
Notes payable - current	119,622	-	119,622
Bonds payable - current	74,826	-	74,826
Total current liabilities	<u>1,537,872</u>	<u>242,920</u>	<u>1,780,792</u>
Long-term liabilities:			
Capital leases payable	12,433	-	12,433
Notes payable	1,772,688	-	1,772,688
Bonds payable	7,106,436	-	7,106,436
Total long-term liabilities	<u>8,891,557</u>	<u>-</u>	<u>8,891,557</u>
Total liabilities	<u>10,429,429</u>	<u>242,920</u>	<u>10,672,349</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,395,127	2,370,518	4,765,645
Unrestricted	(649,388)	(203,413)	(852,801)
Total net assets	<u>\$ 1,745,739</u>	<u>\$ 2,167,105</u>	<u>\$ 3,912,844</u>

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

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,717,919	\$ 205,117	\$ 1,923,036
Total operating revenues	<u>1,717,919</u>	<u>205,117</u>	<u>1,923,036</u>
OPERATING EXPENSES			
Personal services	614,763	26,225	640,988
Contractual services	421,864	4,497	426,361
Utilities	126,545	108,676	235,221
Repairs and maintenance	36,238	8,748	44,986
Other supplies and expenses	212,843	30,261	243,104
Depreciation and amortization	416,732	59,546	476,278
Total operating expenses	<u>1,828,985</u>	<u>237,953</u>	<u>2,066,938</u>
Operating loss	<u>(111,066)</u>	<u>(32,836)</u>	<u>(143,902)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	4,362	10	4,372
Other nonoperating revenue	5,934	2,639	8,573
Interest expense	(354,554)	-	(354,554)
Total nonoperating revenue (expenses)	<u>(344,258)</u>	<u>2,649</u>	<u>(341,609)</u>
Loss before transfers	(455,324)	(30,187)	(485,511)
Transfers in	<u>-</u>	<u>1,145,008</u>	<u>1,145,008</u>
Change in net assets	(455,324)	1,114,821	659,497
NET ASSETS, beginning of year	<u>2,201,063</u>	<u>1,052,284</u>	<u>3,253,347</u>
NET ASSETS, end of year	<u>\$ 1,745,739</u>	<u>\$ 2,167,105</u>	<u>\$ 3,912,844</u>

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

PICKENS COUNTY, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,735,919	\$ 142,358	\$ 1,878,277
Payments to suppliers and service providers	(756,061)	(182,915)	(938,976)
Payments to employees	(616,203)	(25,465)	(641,668)
Net cash provided by (used in) operating activities	<u>363,655</u>	<u>(66,022)</u>	<u>297,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>4,362</u>	<u>10</u>	<u>4,372</u>
Net cash provided by investing activities	<u>4,362</u>	<u>10</u>	<u>4,372</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(172,540)	(1,081,910)	(1,254,450)
Proceeds from capital debt	5,124,152	-	5,124,152
Issuance costs on capital debt	(60,000)	-	(60,000)
Principal paid on capital debt	(4,709,786)	-	(4,709,786)
Interest paid on capital debt	(325,811)	-	(325,811)
Net cash used in capital and related financing activities	<u>(143,985)</u>	<u>(1,081,910)</u>	<u>(1,225,895)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	1,145,008	1,145,008
Other nonoperating revenue	<u>5,934</u>	<u>2,639</u>	<u>8,573</u>
Net cash provided by noncapital financing activities	<u>5,934</u>	<u>1,147,647</u>	<u>1,153,581</u>
Net increase (decrease) in cash and cash equivalents	229,966	(275)	229,691
Cash and cash equivalents:			
Beginning of year	224,213	1,314	225,527
End of year	<u>\$ 454,179</u>	<u>\$ 1,039</u>	<u>\$ 455,218</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (111,066)	\$ (32,836)	\$ (143,902)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	416,732	59,546	476,278
(Increase) decrease in accounts receivable	18,000	(551)	17,449
Increase in due from other funds	(13,969)	-	(13,969)
(Increase) decrease in inventories	45,303	(10,809)	34,494
Decrease in accounts payable	(160,202)	(19,924)	(180,126)
Increase (decrease) in accrued expenses	(1,440)	760	(680)
Increase in due to other funds	170,297	-	170,297
Decrease in deferred revenue	-	(62,208)	(62,208)
Net cash provided by (used in) operating activities	<u>\$ 363,655</u>	<u>\$ (66,022)</u>	<u>\$ 297,633</u>

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

PICKENS COUNTY, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2007**

ASSETS	Agency Funds
Cash and cash equivalents	\$ 1,896,596
Taxes receivable	<u>11,181,720</u>
Total assets	<u>\$ 13,078,316</u>
LIABILITIES	
Due to others	\$ 1,896,596
Uncollected taxes due to others	<u>11,181,720</u>
Total liabilities	<u>\$ 13,078,316</u>

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

PICKENS COUNTY, GEORGIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Pickens County operates under a County Commissioner form of government, providing the following services as authorized by its charter: public safety, judicial, public works, recreation, health and welfare, housing and development, planning and zoning, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Pickens County, Georgia (the "primary government") and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component units are discretely presented in the government-wide financial statements.

Discretely Presented Component Units

The Pickens County Department of Public Health (the "Health Department") is governed by a seven member board consisting of the County's sole Commissioner and two members as appointed by the County Commissioner. The County has the authority to modify and approve the Health Department's budget and the ability to approve environmental health service fees. The Health Department has a June 30th year-end and is presented as a governmental fund type component unit.

The Health Department's financial statements can be obtained by writing to the Pickens County Health Department, Northwest Health District, 111 Bryant Crossing, Suite AA, Dalton, GA 30720.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

The Industrial Development Authority of Pickens County (the "Authority") is governed by a seven member board with a voting majority being appointed by the County. The Authority is responsible for promoting industrial and commercial development with Pickens County. Although the County does not have the authority to approve or modify the budget of the Authority, the County does provide financial support to the Authority. The Authority is reported as a proprietary fund type component unit. Separate financial statements are not prepared for the Authority.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The **General Fund** is the County'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 **Special Purpose Local Option Sales Tax Fund (SPLOST)** is used to account for the revenues and expenditures relating to the 2003 1% Special Purpose Local Option Sales Tax.

The County reports the following major proprietary funds:

The **Water Fund** is used to account for the development, operation and maintenance of the utility system that provides water service.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The **Airport Fund** is used to account for the development, operation and maintenance of the County airport and its facilities.

Additionally, the County reports the following fund types:

The **special revenue funds** account for revenue sources that are legally restricted to expenditure for specific purposes.

The **agency funds** are used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem and property taxes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 revenue of the enterprise funds is charges to customers for sales and services provided. Operating expenses for the enterprise funds 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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB 34, infrastructure assets acquired prior to January 1, 2004, have not been capitalized. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are expensed as incurred.

Capital assets of the primary government are depreciated using the straight line method over the following useful lives:

<u>Asset Category</u>	<u>Years</u>
Land improvements	12 - 15
Buildings	25 - 50
Machinery and equipment	3 - 15
Furniture and fixtures	5 - 20
Infrastructure	10 - 30
Vehicles	2 - 15

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amount when employees separate from service with the County. All vacation and annual leave pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$12,411,091 difference are as follows:

Capital leases payable	\$ (739,897)
Notes payable	(11,178,834)
Accrued interest	(13,662)
Compensated absences	(193,983)
Landfill postclosure costs	<u>(284,715)</u>
Net adjustment to reduce <i>fund balance - total governmental</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (12,411,091)</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,551,731 difference are as follows:

Capital outlay	\$ 5,003,655
Depreciation expense	<u>(1,451,924)</u>
Net adjustment to increase <i>net changes in fund balances - total</i> <i>governmental funds</i> to arrive at <i>changes in net assets -</i> <i>governmental activities</i>	<u><u>\$ 3,551,731</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$674,295 difference are as follows:

Proceeds from capital lease	\$ (804,383)
Principal repayments on capital lease	507,983
Principal repayments on notes payable	935,650
Landfill postclosure costs	<u>35,045</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ 674,295</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$15,857 difference are as follows:

Compensated absences	\$ (33,343)
Net pension asset	26,361
Accrued interest	<u>22,839</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	<u><u>\$ 15,857</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The County follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 15, the departments submit to the County Commissioner a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Prior to September 1, the proposed budget is presented to the County Commissioner for review.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally adopted by the Commissioner through the passage of a resolution.
4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be approved by the Commissioner or Budget Officer.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund and the Special Revenue Funds. Additionally, a project length budget is adopted for the SPLOST Fund.
6. The budgets for the General Fund, Special Revenue Funds and SPLOST Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted on December 29, 2006, or as amended by the Commissioner. The supplementary budgetary appropriations made are reflected in the final budget amounts.

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the County to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2007, all of the County’s deposits were properly collateralized with the depository financial institution.

NOTE 5. RECEIVABLES

Receivables at December 31, 2007, for the County’s individual major funds and nonmajor funds in the aggregate are as follows:

	<u>General Fund</u>	<u>SPLOST Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Fund</u>	<u>Airport Fund</u>
Receivables:					
Taxes	\$ 4,894,046	\$ 713,467	\$ -	\$ -	\$ -
Other governments	1,062,584	-	279,356	-	-
Accounts	2,065,052	-	199,750	155,034	2,183
Accounts - loans	-	-	58,470	-	-
Gross receivables	<u>8,021,682</u>	<u>713,467</u>	<u>537,576</u>	<u>155,034</u>	<u>2,183</u>
Less allowance for uncollectibles	(1,612,743)	-	-	(34,632)	-
Net receivables	<u>\$ 6,408,939</u>	<u>\$ 713,467</u>	<u>\$ 537,576</u>	<u>\$ 120,402</u>	<u>\$ 2,183</u>

Property taxes were levied on November 12, 2007. Bills are payable on or before January 22, 2008, after which the applicable property is subject to lien and penalties and interest as assessed. The County bills and collects its own property taxes. Property taxes levied for 2007 are recorded as receivables. The receivables collected during the year ended December 31, 2007, and collected by February 28, 2008, are recognized as revenues in the year ended December 31, 2007. Net receivables estimated to be collected subsequent to February 28, 2008 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

Property taxes attached as an enforceable lien on property as of July 20th.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,600,163	\$ 13,000	\$ -	\$ 2,613,163
Construction in progress	<u>3,116,803</u>	<u>307,066</u>	<u>(3,116,803)</u>	<u>307,066</u>
Total capital assets, not being depreciated	<u>5,716,966</u>	<u>320,066</u>	<u>(3,116,803)</u>	<u>2,920,229</u>
Capital assets, being depreciated:				
Land improvements	866,164	68,646	-	934,810
Buildings	13,597,859	3,989,379	-	17,587,238
Machinery and equipment	3,450,187	1,404,475	(636,695)	4,217,967
Furniture and fixtures	22,470	-	-	22,470
Infrastructure	2,929,342	2,086,237	-	5,015,579
Vehicles	<u>4,829,865</u>	<u>251,655</u>	<u>(57,068)</u>	<u>5,024,452</u>
Total capital assets, being depreciated	<u>25,695,887</u>	<u>7,800,392</u>	<u>(693,763)</u>	<u>32,802,516</u>
Less accumulated depreciation for:				
Land improvements	228,979	28,388	-	257,367
Buildings	1,494,676	333,468	-	1,828,144
Machinery and equipment	1,191,485	456,036	(164,817)	1,482,704
Furniture and fixtures	5,612	1,124	-	6,736
Infrastructure	79,972	162,699	-	242,671
Vehicles	<u>2,351,624</u>	<u>470,209</u>	<u>(55,751)</u>	<u>2,766,082</u>
Total accumulated depreciation	<u>5,352,348</u>	<u>1,451,924</u>	<u>(220,568)</u>	<u>6,583,704</u>
Total capital assets, being depreciated, net	<u>20,343,539</u>	<u>6,348,468</u>	<u>(473,195)</u>	<u>26,218,812</u>
Governmental activities capital assets, net	<u>\$ 26,060,505</u>	<u>\$ 6,668,534</u>	<u>\$ (3,589,998)</u>	<u>\$ 29,139,041</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 568,382	\$ 1,081,910	\$ -	\$ 1,650,292
Construction in progress	6,465,211	-	(6,465,211)	-
Total capital assets, not being depreciated	<u>7,033,593</u>	<u>1,081,910</u>	<u>(6,465,211)</u>	<u>1,650,292</u>
Capital assets, being depreciated:				
Airport improvements	706,470	-	-	706,470
Buildings	629,004	-	-	629,004
Machinery and equipment	511,832	81,114	-	592,946
Infrastructure	6,534,188	6,556,638	-	13,090,826
Total capital assets, being depreciated	<u>8,381,494</u>	<u>6,637,752</u>	<u>-</u>	<u>15,019,246</u>
Less accumulated depreciation for:				
Airport improvements	56,792	28,259	-	85,051
Buildings	110,352	25,780	-	136,132
Machinery and equipment	267,402	56,800	-	324,202
Infrastructure	1,901,440	363,242	-	2,264,682
Total accumulated depreciation	<u>2,335,986</u>	<u>474,081</u>	<u>-</u>	<u>2,810,067</u>
Total capital assets, being depreciated, net	<u>6,045,508</u>	<u>6,163,671</u>	<u>-</u>	<u>12,209,179</u>
Business-type activities capital assets, net	<u>\$ 13,079,101</u>	<u>\$ 7,245,581</u>	<u>\$ (6,465,211)</u>	<u>\$ 13,859,471</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 143,262
Judicial	26,377
Public safety	815,960
Public works	395,066
Health and welfare	17,528
Culture and recreation	21,067
Housing and development	32,664
Total depreciation expense - governmental activities	<u>\$ 1,451,924</u>
Business-type activities:	
Water Fund	\$ 414,535
Airport Fund	59,546
Total depreciation expense - business-type activities	<u>\$ 474,081</u>

B. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	\$ 48,883	\$ -	\$ -	\$ 48,883
Total capital assets, being depreciated	<u>48,883</u>	<u>-</u>	<u>-</u>	<u>48,883</u>
Less accumulated depreciation for:				
Machinery and equipment	22,089	4,034	-	26,123
Total accumulated depreciation	<u>22,089</u>	<u>4,034</u>	<u>-</u>	<u>26,123</u>
Total capital assets, net	<u>\$ 26,794</u>	<u>\$ (4,034)</u>	<u>\$ -</u>	<u>\$ 22,760</u>

C. Discretely Presented Component Unit – Industrial Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,774,295	\$ 2,300,705	\$ (6,075,000)	\$ -
Total capital assets, net	<u>\$ 3,774,295</u>	<u>\$ 2,300,705</u>	<u>\$ (6,075,000)</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2007, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	\$ 144,792
General Fund	Water Fund	1,039,239
General Fund	SPLOST Fund	56,896
Water Fund	SPLOST Fund	20,197

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	\$ 1,500
Nonmajor governmental funds	General Fund	513,353
Airport Fund	General Fund	1,145,008

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2007:

	Beginning Balances	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	\$ 443,497	\$ 804,383	\$ (507,983)	\$ 739,897	\$ 140,458
Notes payable	12,114,484	-	(935,650)	11,178,834	950,951
Compensated absences	160,640	252,839	(219,496)	193,983	193,983
Landfill postclosure costs	319,760	-	(35,045)	284,715	10,545
Governmental activities long-term liabilities	<u>\$ 13,038,381</u>	<u>\$ 1,057,222</u>	<u>\$ (1,698,174)</u>	<u>\$ 12,397,429</u>	<u>\$ 1,295,937</u>
Business-type Activities					
Capital leases	\$ 48,760	\$ 24,000	\$ (52,506)	\$ 20,254	\$ 7,821
Line of credit	4,338,682	170,252	(4,508,934)	-	-
Notes payable	2,006,812	-	(114,502)	1,892,310	119,622
Bonds payable	2,285,206	4,929,900	(33,844)	7,181,262	74,826
Compensated absences	12,163	17,781	(18,154)	11,790	11,790
Business-type activities long-term liabilities	<u>\$ 8,691,623</u>	<u>\$ 5,141,933</u>	<u>\$ (4,727,940)</u>	<u>\$ 9,105,616</u>	<u>\$ 214,059</u>

For governmental funds, compensated absences and landfill postclosure costs are liquidated by the General Fund.

Capital Leases. The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and have been recorded at the present value of the future minimum lease payments as of the inception dates.

The cost of assets under capital leases as of December 31, 2007 is as follows:

	Governmental Activities	Business-type Activities
Equipment	<u>\$ 890,467</u>	<u>\$ 64,404</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

The County's capital lease debt service requirements to maturity are as follows:

	Governmental Activities	Business-type Activities
Year ending December 31		
2008	\$ 170,615	\$ 8,554
2009	170,615	8,554
2010	238,310	4,278
2011	235,659	-
Less amount representing interest	(75,302)	(1,132)
Present value of future minimum lease payments	\$ 739,897	\$ 20,254

Notes Payable. The County has entered into various agreements with financial institutions to finance the purchase of buildings and equipment. The notes have annual payments ranging from \$59,354 to \$183,871 with interest rates from 3.745% to 5.79% and maturity dates from 2009 to 2020.

The County's debt service requirements to maturity on these notes payable for governmental activities are as follows:

Year ending December 31,	Principal	Interest	Total
2008	\$ 950,951	\$ 426,278	\$ 1,377,229
2009	917,806	394,011	1,311,817
2010	930,661	355,308	1,285,969
2011	969,771	316,199	1,285,970
2012	1,010,476	275,494	1,285,970
2013 - 2017	4,809,384	732,919	5,542,303
2018 - 2020	1,589,785	71,567	1,661,352
Total	\$ 11,178,834	\$ 2,571,776	\$ 13,750,610

The County has also entered into various agreements with the Georgia Environmental Facilities Authority to finance the construction of water lines. As of December 31, 2007, the County had three (3) such loan agreements with an outstanding balance of \$1,892,310. Quarterly installments of principal and interest are due through 2025 with interest rates from 2.0% to 3.66%.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued). The County's debt service requirements to maturity on the notes payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 119,622	\$ 78,220	\$ 197,842
2009	124,985	72,858	197,843
2010	130,601	67,241	197,842
2011	136,485	61,357	197,842
2012	142,649	55,193	197,842
2013 - 2017	698,995	174,989	873,984
2018 - 2022	356,189	67,575	423,764
2023 - 2025	182,784	7,911	190,695
Total	<u>\$ 1,892,310</u>	<u>\$ 585,344</u>	<u>\$ 2,477,654</u>

Bonds Payable. On February 11, 1997, the County issued the 1995 A & B Water and Sewer System bonds for the acquisition and construction of water-line infrastructure. The bonds were issued in the original amounts of \$1,462,300 and \$1,058,700, respectively with an interest rate of 5.0%. The 1995 A and 1995 B bonds are to be paid with monthly payments of \$7,122 and \$5,156, respectively. The bonds have maturity dates of December 2036 for both series.

On March 23, 2007, the County issued the Water System Revenue Bond Series 2007 for the acquisition and construction of water-line infrastructure. The bonds were issued in the original amount of \$4,929,900 with an interest rate of 4.125%. The bonds are to be paid with monthly payments of \$21,248, beginning April 23, 2008. The bonds have a maturity date of March 2047.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Bonds Payable (Continued). The County's debt service requirements to maturity on the bonds payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 74,826	\$ 467,100	\$ 541,926
2009	91,651	310,661	402,312
2010	95,845	306,467	402,312
2011	100,233	302,079	402,312
2012	104,823	297,489	402,312
2013 - 2017	600,762	1,410,798	2,011,560
2018 - 2022	751,952	1,259,608	2,011,560
2023 - 2027	941,630	1,069,930	2,011,560
2028 - 2032	1,179,706	831,854	2,011,560
2033 - 2037	1,318,709	542,089	1,860,798
2038 - 2042	973,971	300,909	1,274,880
2043 - 2047	947,154	82,726	1,029,880
Total	<u>\$ 7,181,262</u>	<u>\$ 7,181,710</u>	<u>\$ 14,362,972</u>

Landfill postclosure costs. Effective December 20, 2004, the Pickens County Landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. As of December 31, 2007, the County has a remaining 27 years of monitoring. Engineering studies estimate postclosure costs of approximately \$284,715 over the 27 year period. These costs are based on what it would cost to perform all postclosure care in 2007, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this postclosure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

Industrial Development Authority – Component Unit.

The following is a summary of the Authority's long-term debt activity for the year ended December 31, 2007:

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Industrial Development Authority – Component Unit (Continued).

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 2,204,789	\$ -	\$ (30,593)	\$ 2,174,196	\$ 36,612
Bonds payable	2,533,011	-	(2,533,011)	-	-
	<u>\$ 4,737,800</u>	<u>\$ -</u>	<u>\$ (2,563,604)</u>	<u>\$ 2,174,196</u>	<u>\$ 36,612</u>

The Authority has entered into two note agreements to finance land development in the County. Because the land will be used for business purposes, the Authority has corresponding note receivables from a private company to pay off the debt. Monthly payments on the notes are \$11,500 and \$5,000 with maturity dates of April 14, 2031 and December 14, 2029, respectively. The current interest rate on both notes is 7.5%, however, the notes are refinanced annually at which time the interest rate changes.

The Authority's debt service requirements to maturity on the notes are as follows:

<u>Year ending December 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 36,612	\$ 161,388	\$ 198,000
2009	39,454	158,546	198,000
2010	42,517	155,483	198,000
2011	45,818	152,182	198,000
2012	49,375	148,625	198,000
2013 - 2017	310,680	679,320	990,000
2018 - 2022	451,510	538,790	990,300
2023 - 2027	656,177	333,823	990,000
2028 - 2031	542,053	67,854	609,907
Total	<u>\$ 2,174,196</u>	<u>\$ 2,396,011</u>	<u>\$ 4,570,207</u>

The repayment terms for the notes receivable are the same as the future requirements above.

In November 2007, the Authority sold the land purchased with the 2004A bond proceeds and repaid the entire amount of the bonds outstanding along with all interest accrued as of that date.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PLAN

Plan Description

The County sponsors the Association of County Commissioners of Georgia Pickens County Defined Benefit Plan for Pickens County Employees (The Plan), which is a defined benefit pension plan.

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Association of County Commissioners of Georgia Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the 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. Complete financial statements for the Association of County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from Pension Service Company, 3625 Cumberland Parkway, Suite 825, Suite 300, Atlanta, Georgia 30339.

Funding Policy

The County is required to contribute an actuarially determined amount annually to The Plan's trust. A contribution amount is determined using actuarial methods and assumptions approved by The ACCG Plan trustees and intended to satisfy the minimum contribution requirements as set forth in controlling State of Georgia statutes. Plan participants are not required to contribute to the plan.

Annual Pension Cost

The County's annual pension cost and net pension obligation for the pension plan for the year beginning January 1, 2007, (the most recent actuarial valuation date) are as follows:

	January 1, 2007	January 1, 2006
<u>Derivation of Annual Pension Cost</u>		
Annual Required Contribution	\$ 311,665	\$ 273,525
Interest on Net Pension Obligation	(9,725)	(7,416)
Amortization of Net Pension Obligation	10,261	7,825
Annual Pension Cost	\$ 312,201	\$ 273,934
<u>Derivation of Net Pension Obligation</u>		
Annual Pension Cost for Current Year		\$ 312,201
Actual Contributions to Plan for Current Year		338,562
Increase in Net Pension Obligation		(26,361)
Net Pension Obligation (Asset) as of December 31, 2006		(121,566)
Net Pension Obligation (Asset) as of December 31, 2007		\$ (147,927)

NOTES TO FINANCIAL STATEMENTS

NOTE 9. DEFINED BENEFIT PLAN (CONTINUED)

Basis of Valuation

Current Valuation Date	January 1, 2007
Annual Return on Invested Plan Assets	8.0%
Projected Annual Salary Increases	5.0%
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percent of Pay (closed)
Remaining Amortization Period	10

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
1/1/07	\$ 312,201	\$ 338,562	108 %	\$ (147,927)
1/1/06	273,934	302,796	111	(121,566)
1/1/05	237,631	269,462	113	(92,704)
1/1/04	200,522	230,870	115	(60,873)
1/1/03	162,402	192,927	119	(30,525)
1/1/02	158,587	158,587	100	-

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees; and losses resulting from providing accident and health benefits to employees, retirees, and their dependents.

The County participates in the Association of County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for member local governments.

As part of the risk pool, the County is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as 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 pool's 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 government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all costs 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.

The County also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. Settled claims have not exceeded insurance coverage in any of the past three years. The County carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft of and damage to assets, injuries, errors and omissions, and natural disaster. Significant losses are covered by the commercial insurance underlying these programs.

There have been no significant reductions of insurance coverage from coverage in the prior year, and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The County is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the County.

Grant Contingencies

The County has received Federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, County management believes such disallowances, if any, will not be significant.

NOTE 12. JOINT VENTURE

On January 4, 1995, Pickens County entered into an agreement with Bartow County, Georgia establishing a joint development authority. The County Commissioner of Pickens County and the County Commissioner of Bartow County signed an agreement whereby the Joint Development Authority of Bartow County and Pickens County was established for the promotion of business development in each county as well as expanding industry, trade and employment opportunities for the citizens of Bartow and Pickens Counties. The Board of Directors of the Joint Development Authority consists of seven members. Three members of the Board are appointed by Bartow County and four members are appointed by Pickens County. As of December 31, 2007, the Joint Development Authority owned no assets and had no liabilities. Also, there have been no financial transactions conducted by the Joint Development Authority during 2007. As a result, no balance sheet or income statement is presented in the audited financial statements of Pickens County at December 31, 2007.

Under Georgia law, the County, in conjunction with other cities and counties in the north west Georgia area, is a member of the North Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended December 31, 2007, the County paid \$24,361 in such dues. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. JOINT VENTURE (CONTINUED)

The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a regional development commission. Separate financial statements may be obtained from:

North Georgia Regional Development Center
502 West Waugh Street
Dalton, GA 30720

The County is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interest in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities for federal, state, and local entities. The County paid annual dues in the amount of \$1,500 for the year ended December 31, 2007. Separate financial statements can be obtained from their office at:

Northwest Georgia Regional Water Resources Partnership
P.O. Box 1793
Rome, Georgia 30162-1793

NOTE 13. HOTEL/MOTEL TAX

The County has levied a 6% lodging tax. During the year ended December 31, 2007, the County collected \$45,057 in revenues. Of this amount \$39,942, or 89%, was expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

REQUIRED SUPPLEMENTARY INFORMATION

PICKENS COUNTY, GEORGIA

GENERAL FUND BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 12,238,514	\$ 13,016,110	\$ 13,016,110	\$ -
Licenses and permits	899,600	634,990	634,990	-
Intergovernmental	1,145,996	1,876,211	1,876,211	-
Charges for services	1,921,765	3,014,396	3,014,396	-
Fines and forfeitures	382,850	482,482	482,482	-
Interest income	67,500	117,493	117,493	-
Other revenues	40,901	67,323	77,040	9,717
Contributions	1,500	6,900	6,900	-
Total revenues	16,698,626	19,215,905	19,225,622	9,717
Expenditures:				
Current:				
General government:				
Legislative	125,951	134,340	134,340	-
Commissioner	112,618	124,854	124,854	-
Board of elections	179,361	89,681	89,681	-
General administration	433,465	242,379	242,379	-
Financial administration	130,491	132,676	132,676	-
Accounting	92,587	86,866	86,866	-
Human resources	50,945	49,170	49,170	-
Law	110,500	87,891	87,891	-
Tax commissioner	476,470	532,930	532,930	-
Tax assessor	403,441	418,520	418,520	-
General government buildings	476,558	1,419,754	1,419,754	-
Public information	145	127	127	-
Special project	70,862	71,247	71,247	-
General administration fees	30,000	24,361	24,361	-
Total general government	2,693,394	3,414,796	3,414,796	-
Judicial:				
Judicial administration	44,076	46,115	46,115	-
Superior court	161,357	165,809	165,809	-
Visitation center	35,028	31,493	31,493	-
Clerk of superior court	480,609	516,879	516,879	-
District attorney	371,452	366,682	366,682	-
Magistrate court	222,427	220,252	220,252	-
Probate court	251,102	264,571	264,571	-
Juvenile court	522,761	567,862	555,362	12,500
Grand jury	4,725	5,540	5,540	-
Law library	56	913	913	-
Public defender	319,000	328,908	328,908	-
Total judicial	\$ 2,412,593	\$ 2,515,024	\$ 2,502,524	\$ 12,500

(Continued)

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Public safety administration	\$ 78,099	\$ 82,382	\$ 82,382	\$ -
Sheriff	141,334	140,820	140,820	-
Law enforcement administration	591,722	762,906	762,906	-
Criminal investigation	353,124	323,647	323,647	-
Uniform patrol	1,104,872	1,122,562	1,122,562	-
Jail operations	1,326,327	1,542,662	1,542,662	-
Sheriff office and building	126,854	195,225	195,225	-
Emergency medical services	351,675	427,950	427,950	-
Adult probation and parole	367,655	329,627	329,627	-
Fire fighting	375,000	364,078	364,078	-
Fire stations and building	-	4,186	4,186	-
EMS administration	130,690	122,527	122,527	-
EMS operations	1,287,935	1,996,664	1,996,664	-
EMS stations and buildings	33,750	28,107	28,107	-
Coroner	33,260	41,646	41,646	-
Animal rescue	14,000	14,000	14,000	-
Emergency management agency	6,600	24,718	24,718	-
Total public safety	<u>6,322,897</u>	<u>7,523,707</u>	<u>7,523,707</u>	<u>-</u>
Public works:				
Public works administration	79,233	75,613	75,613	-
Highways and streets	203,473	96,841	96,841	-
Roadways and walkways	1,210,587	2,611,503	2,611,503	-
Paved streets	7,000	238,042	238,042	-
Unpaved streets	120,000	97,434	97,434	-
Bridges	10,000	-	-	-
Street lighting	7,401	9,213	9,213	-
Traffic engineering	62,922	84,638	84,638	-
Solid waste/recycling administration	542,155	574,645	574,645	-
Closure and post-closure costs	7,500	10,545	10,545	-
Public education	24,475	24,475	24,475	-
Maintenance and shop	116,222	111,678	111,678	-
Total public works	<u>2,390,968</u>	<u>3,934,627</u>	<u>3,934,627</u>	<u>-</u>
Health and welfare:				
Public health	81,457	83,629	83,629	-
Regulation and inspection	706	849	849	-
Buildings and plant	5,600	3,244	3,244	-
Welfare/other direct assistance	28,380	33,682	33,682	-
Senior citizens center	15,347	16,838	16,838	-
Transportation services	55,710	132,817	132,817	-
Total health and welfare	<u>\$ 187,200</u>	<u>\$ 271,059</u>	<u>\$ 271,059</u>	<u>\$ -</u>

(Continued)

PICKENS COUNTY, GEORGIA

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures: (Continued)				
Current: (Continued)				
Culture and recreation:				
Recreation	\$ 151,121	\$ 146,593	\$ 146,593	\$ -
Participation recreation	99,624	123,886	123,886	-
Recreation centers	16,610	22,298	22,298	-
Playgrounds	4,000	4,950	4,950	-
Swimming pools	20,522	60,613	60,613	-
Other recreational facilities	10,000	4,362	4,362	-
Spectator recreation	3,950	2,279	2,279	-
Special facilities	29,414	29,873	29,873	-
Park areas	155,370	213,075	213,075	-
Park lighting	5,400	2,765	2,765	-
Libraries	252,465	258,474	258,474	-
Total culture and recreation	<u>748,476</u>	<u>869,168</u>	<u>869,168</u>	<u>-</u>
Housing and development:				
Agricultural resources	68,127	61,505	61,505	-
Building inspection	240,386	244,515	244,515	-
Planning and zoning	470,068	527,284	527,284	-
Assistance administration	58,518	63,273	63,273	-
Total housing and development	<u>837,099</u>	<u>896,577</u>	<u>896,577</u>	<u>-</u>
Debt service:				
Principal	698,618	999,785	999,785	-
Interest	328,533	228,416	228,416	-
Total debt service	<u>1,027,151</u>	<u>1,228,201</u>	<u>1,228,201</u>	<u>-</u>
Total expenditures	<u>16,619,778</u>	<u>20,653,159</u>	<u>20,640,659</u>	<u>12,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>78,848</u>	<u>(1,437,254)</u>	<u>(1,415,037)</u>	<u>22,217</u>
Other financing sources (uses):				
Transfers in	428,134	1,500	1,500	-
Transfers out	(521,982)	(1,645,861)	(1,658,361)	(12,500)
Capital lease	-	2,571,512	804,383	(1,767,129)
Sale of capital assets	15,000	510,103	510,103	-
Total other financing sources (uses)	<u>(78,848)</u>	<u>1,437,254</u>	<u>(342,375)</u>	<u>(1,779,629)</u>
Net change in fund balance	-	-	(1,757,412)	(1,757,412)
Fund balance, beginning of year	<u>10,263,536</u>	<u>10,263,536</u>	<u>10,263,536</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,263,536</u>	<u>\$ 10,263,536</u>	<u>\$ 8,506,124</u>	<u>\$ (1,757,412)</u>

PICKENS COUNTY, GEORGIA

**SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN**

Measurement Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2007	\$ 1,861,565	\$ 2,918,668	\$ 1,057,103	63.8 %	\$ 4,648,606	22.7 %
12/31/2006	1,496,176	2,468,560	972,384	60.6	4,056,284	24.0
12/31/2005	1,158,720	2,171,503	1,012,783	53.4	3,388,324	29.9
12/31/2004	878,878	1,782,690	903,812	49.3	2,987,367	30.3
12/31/2003	668,503	1,448,495	779,992	46.2	2,417,429	32.3
12/31/2002	441,465	1,154,010	712,545	38.3	2,183,503	32.6
12/31/2001	331,742	945,365	613,623	35.1	1,689,625	36.3

Note: See assumptions used for the Schedule of Funding Progress in Note 9 to the financial statements.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

E911 Fund is used to account for the collection of 911 charges associated with wireless bills inside the County. This fund accounts for expenditures related to the operation of the communication center.

Drug Task Force Fund accounts for the match portion of the membership to the local federal agencies.

Revolving Loan Fund accounts for loans to small business with grant money from the Georgia Department of Community Affairs.

Hotel/Motel Tax Fund is used to account for the collection of hotel and motel taxes within the County and for the expenditures made distributing the collections to the appropriate entities.

Adult Drug Court Fund is used to track program expenditures for alternative jail sentencing for non-dealer substance abuse cases.

Appalachian Pre-trial and Probation Fund accounts for the probation office expenditures.

CASA Fund is used to account for court appointed advocates, for the representation of minors and children.

Victims of Crime Assistance Fund is used to account the expenditures of investigators of crimes against women and children.

Domestic Victims Visitation Fund is used to account for expenditures related to operation of the department of family and children services (DFACS) and monitored/supervised visitation rights for children.

Law Library Fund is used to account for the revenues and related expenditures of operating the County's Law Library.

Commissary Commissions Fund is used to account for the commissions made by the Sheriff's office from canteen sales to the inmates throughout the course of the year, as well as tracking the expenditures made of those commissions.

Family Drug Court Fund is used to account for expenditures incurred by DFACS and alternative rehabilitation programs for abused families, such as alcoholics anonymous meetings and counseling.

PICKENS COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	Special Revenue Funds					
	E911	Drug Task Force	Revolving Loan	Hotel/Motel Tax	Adult Drug Court	Appalachian Pre-Trial and Probation
ASSETS						
Cash and cash equivalents	\$ 78,220	\$ 73,319	\$ 11,560	\$ 71,610	\$ 58,283	\$ 75,537
Accounts receivable	42,580	-	-	1,458	15,082	24,502
Accounts receivable - loans	-	-	58,470	-	-	-
Due from other governments	-	238,856	-	-	-	-
Total assets	\$ 120,800	\$ 312,175	\$ 70,030	\$ 73,068	\$ 73,365	\$ 100,039
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 20,463	\$ 19,258	\$ 9,060	\$ 9,123	\$ 7,002	\$ 1,623
Accrued liabilities	18,226	62,015	-	-	-	-
Due to other funds	-	26,562	-	-	9,500	34,593
Total liabilities	38,689	107,835	9,060	9,123	16,502	36,216
FUND BALANCES						
Reserved for revolving loans	-	-	58,470	-	-	-
Unreserved, undesignated	82,111	204,340	2,500	63,945	56,863	63,823
Total fund balances	82,111	204,340	60,970	63,945	56,863	63,823
Total liabilities and fund balances	\$ 120,800	\$ 312,175	\$ 70,030	\$ 73,068	\$ 73,365	\$ 100,039

CASA	Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	Total Nonmajor Governmental Funds
\$ 6,143	\$ 66,851	\$ 5,947	\$ 37,290	\$ 8,765	\$ 12,382	\$ 505,907
86,008	4,582	4,722	-	-	20,816	199,750
-	-	-	-	-	-	58,470
40,500	-	-	-	-	-	279,356
<u>\$ 132,651</u>	<u>\$ 71,433</u>	<u>\$ 10,669</u>	<u>\$ 37,290</u>	<u>\$ 8,765</u>	<u>\$ 33,198</u>	<u>\$ 1,043,483</u>
\$ 44	\$ 6,109	\$ 307	\$ -	\$ -	\$ 5,671	\$ 78,660
-	-	-	-	-	-	80,241
69,116	-	2,138	861	2,022	-	144,792
69,160	6,109	2,445	861	2,022	5,671	303,693
-	-	-	-	-	-	58,470
63,491	65,324	8,224	36,429	6,743	27,527	681,320
63,491	65,324	8,224	36,429	6,743	27,527	739,790
<u>\$ 132,651</u>	<u>\$ 71,433</u>	<u>\$ 10,669</u>	<u>\$ 37,290</u>	<u>\$ 8,765</u>	<u>\$ 33,198</u>	<u>\$ 1,043,483</u>

PICKENS COUNTY, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Special Revenue Funds					
	E911	Drug Task Force	Revolving Loan	Hotel/Motel Tax	Adult Drug Court	Appalachian Pre-Trial and Probation
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 45,057	\$ -	\$ -
Fines and forfeitures	-	23,738	-	-	800	-
Intergovernmental	-	278,102	-	-	132,378	89,175
Charges for services	443,091	-	-	-	60,895	1,009,686
Interest income	206	2,314	4,570	1,725	759	1,042
Other revenues	-	2,710	-	-	11,189	-
Total revenues	443,297	306,864	4,570	46,782	206,021	1,099,903
Expenditures:						
Current:						
General government	-	-	-	2,941	-	-
Judicial	-	-	-	-	170,982	1,011,591
Public safety	897,613	396,394	-	-	-	-
Housing and development	-	-	122,676	39,942	-	-
Total expenditures	897,613	396,394	122,676	42,883	170,982	1,011,591
Excess (deficiency) of revenues over (under) expenditures	<u>(454,316)</u>	<u>(89,530)</u>	<u>(118,106)</u>	<u>3,899</u>	<u>35,039</u>	<u>88,312</u>
Other financing sources (uses):						
Transfers in	473,228	27,625	-	-	-	-
Transfers out	-	-	-	(1,500)	-	-
Total other financing sources (uses)	473,228	27,625	-	(1,500)	-	-
Net change in fund balances	18,912	(61,905)	(118,106)	2,399	35,039	88,312
Fund balances (deficit), beginning of year	63,199	266,245	179,076	61,546	21,824	(24,489)
Fund balances (deficit), end of year	<u>\$ 82,111</u>	<u>\$ 204,340</u>	<u>\$ 60,970</u>	<u>\$ 63,945</u>	<u>\$ 56,863</u>	<u>\$ 63,823</u>

CASA	Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,057
-	-	-	26,721	-	-	51,259
152,410	43,877	23,918	-	-	66,800	786,660
-	-	-	-	-	-	1,513,672
-	1,867	-	-	721	-	13,204
525	-	8,532	-	64,177	-	87,133
<u>152,935</u>	<u>45,744</u>	<u>32,450</u>	<u>26,721</u>	<u>64,898</u>	<u>66,800</u>	<u>2,496,985</u>
-	-	-	-	-	40,206	43,147
186,789	58,778	31,677	23,058	-	-	1,482,875
-	-	-	-	60,976	-	1,354,983
-	-	-	-	-	-	162,618
<u>186,789</u>	<u>58,778</u>	<u>31,677</u>	<u>23,058</u>	<u>60,976</u>	<u>40,206</u>	<u>3,043,623</u>
<u>(33,854)</u>	<u>(13,034)</u>	<u>773</u>	<u>3,663</u>	<u>3,922</u>	<u>26,594</u>	<u>(546,638)</u>
12,500	-	-	-	-	-	513,353
-	-	-	-	-	-	(1,500)
<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,853</u>
(21,354)	(13,034)	773	3,663	3,922	26,594	(34,785)
84,845	78,358	7,451	32,766	2,821	933	774,575
<u>\$ 63,491</u>	<u>\$ 65,324</u>	<u>\$ 8,224</u>	<u>\$ 36,429</u>	<u>\$ 6,743</u>	<u>\$ 27,527</u>	<u>\$ 739,790</u>

PICKENS COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Project</u>	<u>Estimated Cost</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Fire department equipment, fire trucks and construction of new fire houses	\$ 2,250,000	\$ 2,100,000	\$ 1,867,970	\$ 37,910	\$ 1,905,880
Emergency medical services equipment and construction of new EMS facilities	1,250,000	750,000	290,753	-	290,753
Emergency 911 facilities improvements	450,000	506,000	505,748	-	505,748
Sheriff department facilities remodeling and upgrade	6,000,000	10,130,000	6,839,288	712,648	7,551,936
Water department facilities and water line improvements	4,500,000	3,500,000	358,772	752,203	1,110,975
Paving and resurfacing of roads	7,550,000	5,014,000	2,132,258	1,276,334	3,408,592
	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>	<u>\$ 11,994,789</u>	<u>\$ 2,779,095</u>	<u>\$ 14,773,884</u>

AGENCY FUNDS

Sheriff – This fund is used to account for collection of fees, proceeds from judicial sales, and cash bonds, which are disbursed to other agencies, the County, and individuals.

Tax Commissioner – This fund is used to account for all real, personal and intangible taxes collected and forwarded to the County and other government units.

The following agency funds are used to account for fines, fees and other moneys collected by the courts and remitted to other parties in accordance with court orders and state law:

Clerk of Superior Court
Judge Probate Court
Magistrate Court

PICKENS COUNTY, GEORGIA

**COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2007**

<u>ASSETS</u>	Clerk of Superior Court	Judge Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total
Cash and cash equivalents	\$ 266,479	\$ 21,648	\$ 17,946	\$ 8,569	\$ 1,581,954	\$ 1,896,596
Taxes receivable	-	-	-	-	11,181,720	11,181,720
Total assets	<u>\$ 266,479</u>	<u>\$ 21,648</u>	<u>\$ 17,946</u>	<u>\$ 8,569</u>	<u>\$ 12,763,674</u>	<u>\$ 13,078,316</u>
<u>LIABILITIES</u>						
Due to others	\$ 266,479	\$ 21,648	\$ 17,946	\$ 8,569	\$ 1,581,954	\$ 1,896,596
Uncollected taxes	-	-	-	-	11,181,720	11,181,720
Total liabilities	<u>\$ 266,479</u>	<u>\$ 21,648</u>	<u>\$ 17,946</u>	<u>\$ 8,569</u>	<u>\$ 12,763,674</u>	<u>\$ 13,078,316</u>

COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

PICKENS COUNTY, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$	395,593
Payments to suppliers		<u>(30,593)</u>
Net cash provided by operating activities		<u>365,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		<u>171,510</u>
Net cash provided by investing activities		<u>171,510</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets		(412,660)
Interest paid on capital debt		<u>(168,088)</u>
Net cash provided by capital and related financing activities		<u>(580,748)</u>

Net decrease in cash and cash equivalents		(44,238)
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Cash and cash equivalents:

Beginning of year		<u>275,342</u>
End of year	\$	<u><u>231,104</u></u>

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$	365,000
Adjustments to reconcile operating income to net cash provided by in operating activities:		
Decrease in notes receivable		30,593
Decrease in notes payable		<u>(30,593)</u>
	\$	<u><u>365,000</u></u>

COMPLIANCE SECTION



**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**

**Commissioner of Roads and Revenues
of Pickens County, Georgia
Jasper, Georgia**

We have audited 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 Pickens County, Georgia (the "County") as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 10, 2008. We did not audit the financial statements of the Pickens County Department of Public Health. Those financial statements were audited by other auditors whose reports have been furnished to us. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 through 2007-9 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 through 2007-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that were reported to management of the County in a separate letter dated July 10, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Commissioner, management of the County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Atlanta, Georgia
July 10, 2008



CERTIFIED PUBLIC ACCOUNTANTS, LLC

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Commissioner of Roads and Revenues
of Pickens County, Georgia
Jasper, Georgia**

Compliance

We have audited the compliance of Pickens County, Georgia (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Pickens County Department of Public Health which received \$189,987 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ending December 31, 2007. Our audit, described below, did not include the operations of the Pickens County Department of Public Health because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Pickens County, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2007-10.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pickens County, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pickens County, Georgia's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commissioner, management of the County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
July 10, 2008

PICKENS COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Total Expenditures
U.S. Department of Homeland Security			
Passed through Georgia Emergency Management Agency	97.042	2007APBX0185	\$ 3,496
U.S. Department of Health and Human Services			
Passed through the Administrative Office of Courts Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	14103.01.01	12,001
Passed through Georgia Department of Human Resources Promoting Safe and Stable Families	93.556	20080610029	25,448
Promoting Safe and Stable Families	93.556	827-3094	7,312
Promoting Safe and Stable Families	93.556	MOU-2007-112-0037	16,606
Total Department of Health and Human Services			<u>61,367</u>
U.S. Department of Housing and Urban Development			
Passed through Georgia Department of Community Affairs Community Housing and Development Grant	14.219	07p-y-112-1-3327	3,500
U.S. Department of Transportation			
Passed through Georgia Department of Transportation Public Transportation	20.509	MTGG-000-139-00-200	56,023
U.S. Department of Justice			
Passed through Juvenile Court Judges of Georgia Juvenile Accountability Incentive Block Grants	16.523	04B-ST-0001	2,950
Passed through Criminal Judicial Council Edward Byrne Memorial Formula Grant Program	16.579	B06-8-049	110,776
Edward Byrne Memorial Formula Grant Program	16.579	B06-8-013	112,076
Victims of Child Abuse	16.547	C07-8-097	14,753
Victims of Child Abuse	16.547	C06-8-106	48,237
Violence Against Women Formula Grants	16.588	W05-8-057	14,000
Violence Against Women Formula Grants	16.588	W06-8-039	29,877
Passed through Bureau of Justice Assistance Drug Court Discretionary Grant Program	16.585	2006-DC-BX009	49,873
Total Department of Justice			<u>382,542</u>
Total Federal Expenditures			<u>\$ 506,928</u>

Note: The above schedule of expenditures of federal awards includes the federal grant activity of Pickens County, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for
major programs Unqualified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.579	Edward Byrne Memorial Formula Grant Program
16.547	Victims of Child Abuse

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2007-1. Receivables and Revenues

Criteria: Internal controls should be in place to ensure that the amounts reported as receivables and revenues are appropriate and properly valued.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and receivables.

Context/Cause: During our testing, audit adjustments of approximately \$685,000 were required to correct receivables and revenue to properly record transactions relating to property taxes.

Effects: Total misstatements were approximately \$685,000 for receivables and revenues for the year ended December 31, 2007.

Recommendation: We recommend the County carefully review all revenues and receivables to ensure they are reported in the proper reporting period, properly valued, and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues and receivables are properly recorded.

2007-2. Interfund Balances

Criteria: Internal controls should be in place to ensure that the amounts reported as interfund balances and transactions are properly recorded and balanced between funds.

Condition: Internal controls were not sufficient to timely detect misstatements in the reporting of the County's interfund balances.

Context/Cause: During our testing, audit adjustments of approximately \$134,000 in the General Fund and \$600,000 in the Tax Commissioner were required to properly record and balance interfund activity.

Effects: Total misstatements relating to interfund balances were approximately \$734,000 for the year ended December 31, 2007.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007-2. Interfund Balances (Continued)

Recommendation: We recommend the County carefully review all interfund activity to ensure all balances are properly recorded and balanced between funds in a timely manner.

Auditee's Response: We concur with the finding. In the General Fund, \$110,000 of the adjustments were provided by the County. In the Tax Commissioner Fund, \$556,000 was an entry to move amounts from one cash account to another. We will take necessary steps in the future to ensure that interfund activity is properly recorded and balanced.

2007-3. Debt Transactions – Governmental Funds

Criteria: Internal controls should be in place to ensure that debt service expenditures are recorded timely and appropriately for debt payments and that proceeds are recognized upon the issuance of new debt.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's debt service expenditures and proceeds from new debt in a timely manner.

Context/Cause: During our audit of the General Fund and SPLOST Fund, we noted the County had incorrectly reported the amount of the debt service payments and had not recorded proceeds from new leases. Adjustments totaling approximately \$989,000 and \$74,000, respectively, were required for the County's General Fund and SPLOST Fund, respectively.

Effects: Audit adjustments totaling approximately \$1,063,000 were needed to correctly report expenditures and proceeds.

Recommendation: We recommend the County carefully review all debt transactions to ensure that they are reported in accordance with generally accepted accounting principles in a timely manner.

Auditee's Response: We concur with the finding. In the General Fund, \$98,000 of the adjustments were prepared by the County. In the SPLOST Fund, \$15,000 of the adjustments were prepared by the County. We will take necessary steps in the future to ensure that all debt transactions are properly recorded.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007-4. Debt Transactions – Proprietary Funds

Criteria: Internal controls should be in place to ensure that bond issuance costs and interest charges are accounted for in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the County's debt costs.

Context/Cause: During our audit of the Water Fund, we noted the County had incorrectly reported the interest charges and bond issuance costs relating to the new bond issue. Adjustments totaling \$371,000 were necessary to properly report these debt related costs.

Effects: Audit adjustments totaling approximately \$371,000 were needed to correctly report debt activity.

Recommendation: We recommend the County carefully review all debt related activity to ensure the transactions are reported in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. In the Water Fund, \$309,000 of the adjustments were prepared by the County. We will take necessary steps in the future to ensure that debt transactions are properly recorded.

2007-5. Grants Management

Criteria: Grant activity should be monitored and tracked on a regular basis and in a timely manner to ensure compliance with grant terms and Single Audit requirements.

Condition: The County's grants are managed by various departments and individuals, which makes it difficult to determine the County's grant activity as a whole in order to assess the need for a Single Audit. In addition, some grant activity is not monitored and recorded in a timely manner which further complicates the task of determining the County's total grant expenditures and allows the opportunity for noncompliance with the terms of the grants.

Context/Cause: The County finance department has been unable to provide accurate information to report the grants activity for the year due to personnel in separate departments/agencies not providing this information to the finance department in a timely manner.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007-5. Grants Management (Continued)

Effects: The County was unable to timely report accurate grant information to management and the Commissioner and the need for a Single Audit was not determined until late June 2008.

Recommendation: We recommend management implement procedures to ensure timely and accurate grant reporting and that the finance department is made aware of all grant activity, including the grants which are managed by other departments within the County.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all grant activity is run through the County's finance department and that grant activity is reported accurately in a timely manner.

2007-6. Timely Reporting of Accurate Financial Information

Criteria: Timely and accurate financial reporting of all funds included in the financial statements of the County to facilitate informed financial decisions by the County's management and those with oversight of management is imperative.

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the County's overall financial position and results of operation as of and for the year ended December 31, 2007.

Context/Cause: The County did not complete its year-end closing process to provide final trial balances and the necessary subsidiary ledgers for the majority of its funds for the year ended December 31, 2007 for auditing until the middle of May 2008. Additionally, several subsidiary listings and schedules, including capital asset and debt schedules, were not provided until May and June 2008.

Effects: The County was unable to report accurate financial information on either an accrual or modified accrual basis, as appropriate, in a timely manner.

Recommendation: We recommend management implement procedures to ensure timely and accurate financial reporting to facilitate informed financial decisions.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all funds pertaining to the County are included in the monthly accrual or modified accrual, as appropriate, closeout procedures, which in turn will simplify the year end accrual or modified accrual, as appropriate, close out procedures.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007-7. Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist among custody, receipting, recording, distribution, reconciliation of cash accounts and other operational functions in the various funds maintained by the County. In addition to the County, this is especially prominent in the office of the Probate Court, Magistrate Court, Clerk of Court, Sheriff's Office, and Tax Assessor.

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures as well as the irregularity in the Magistrate Court that was reported to us by management.

Effects or possible effects: Failure to properly segregate duties among custody, recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected in a timely manner by employees in the normal course of performing their assigned functions. Additionally, the lack of proper controls in the Magistrate Court resulted in irregularities of approximately \$18,500.

Cause: The failure in segregation of duties is mostly due to the limited number of individuals in each office to perform all of the duties.

Recommendation: We recommend the County segregate duties relative to the custody, receipting, recording, distribution, and reconciliation of accounts.

Auditee's Response: We will review our operations to determine the most efficient and effective solution to properly segregate duties.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007-8. Capital Assets

Criteria: Internal controls should be in place to ensure that capital asset activity is recorded properly and timely and in accordance with generally accepted accounting principles.

Condition: Internal controls of the County and Development Authority were not sufficient to detect misstatements in the reporting of capital asset activity a timely manner.

Context/Cause: During our audit of capital assets of the County and Development Authority, we noted the County had omitted a disposal from the capital asset records and the gain on sale of Development Authority land was calculated incorrectly. An adjustment totaling approximately \$158,000 was required for the County's capital assets. An adjustment for approximately \$15,000 was proposed for the Development Authority; however, this adjustment was determined to be immaterial to the financial statements as a whole and was not posted.

Effects: Approximately \$173,000 of accounting errors were noted in the reporting of capital assets.

Recommendation: We recommend the County carefully review all capital asset transactions to ensure that they are reported timely and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all capital asset transactions are properly recorded.

2007-9. Unidentified Funds - Constitutional Offices

Criteria: All constitutional offices must have a proper function of receiving funds, recording the receipt of funds, and timely and properly remitting such funds to the appropriate parties upon their disposition in accordance with State of Georgia laws.

Condition: For the year ended December 31, 2007, we noted that the Clerk of Court (general account), Tax Commissioner and Sheriff's Office (inmates account) had approximately \$300, \$6,000, and \$1,700, respectively, in its bank accounts for which no comprehensive detail listing was available to identify to whom the funds were owed. In addition, the detail listing to support the bond account at the Clerk of Court is not being maintained throughout the year and reconciled to the cash account.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2007-9. Unidentified Funds - Constitutional Offices (Continued)

Context/Cause: During our testing of the County's agency funds, we noted the following funds for whom the County did not know to who the amounts were owed:

- The Clerk of Court did not have a subsidiary detail of approximately \$300 of cash deposited in the general account.
- The detail listing to support the bond account at the Clerk of Court is not being maintained throughout the year and reconciled to the cash account.
- The Tax Commissioner did not have a subsidiary detail of approximately \$6,000 of cash balances on deposit.
- The Sheriff's inmate account did not have a subsidiary detail of approximately \$1,700 of the nearly \$3,900 of inmate funds on deposit.

Effects: By not reconciling the cash balances to the supporting detail listings of amounts payable, differences could occur and go undetected by the respective offices. Additionally, this will create difficulties for the proper tracking, maintenance and disbursement of these funds.

Recommendation: We recommend the respective offices make every effort to determine who the proper payee(s) are for these funds and disburse the funds as quickly as possible. If the payee cannot be determined, consultation with the County Attorney is recommended. Additionally, we recommend the proper maintenance and reconciliation of detail subsidiary listings going forward.

Auditee's Response: We concur with the finding. We will work to determine to whom the funds are owed and detail listings will be reconciled to the cash balances on hand.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2007-10. Timely Submission of Reimbursement Requests

Federal Program Information: CFDA No. 16.547
Victims of Child Abuse
U.S. Department of Justice

Criteria: The terms of the grant agreement specified that reimbursement requests were to be filed in a timely manner, at a minimum on a quarterly basis.

Condition: The grant recipient only filed one reimbursement request at the end of the grant term.

Context/Cause: The grant recipient did not file monthly or quarterly reimbursement requests as specified in the grant. A single request was filed upon completion of the grant.

Effects/Possible Effects: Grantor agencies have the authority to deny funding if the specific terms of the grant are not followed. This could result in loss of funding at which time the County would have to fund the grant expenditures from other revenue sources.

Questioned Costs: None noted.

Recommendation: We recommend those in charge of grants management review the terms of each grant in detail to become familiar with the specific requirements. Every effort should be made by the individuals responsible for grants management to comply with the grant terms.

Auditee's Response: We concur with the finding. We will review the grant requirements and attempt to comply with the terms of each grant.

PICKENS COUNTY, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

The prior audit's schedule of findings and questioned costs included no findings relative to federal awards.