

PICKENS COUNTY, GEORGIA

FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2008**

INTRODUCTORY SECTION

PICKENS COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2008

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FOR THE YEAR ENDED DECEMBER 31, 2008

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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, 2008, 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, 62 percent, and 81 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, 2008, 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 29, 2009, 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 39 through 42) 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 of America 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 29, 2009

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS DECEMBER 31, 2008

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 8,085,493	\$ 232,718	\$ 8,318,211
Investments	3,575,333	-	3,575,333
Taxes receivable	5,686,646	-	5,686,646
Accounts receivable, net of allowances	569,777	177,017	746,794
Notes receivable	43,210	-	43,210
Due from other governments	1,379,835	92,573	1,472,408
Inventories	31,639	45,889	77,528
Internal balances	1,146,768	(1,146,768)	-
Capital assets, non-depreciable	3,075,751	2,224,637	5,300,388
Capital assets, depreciable, net of accumulated depreciation	26,919,629	13,139,703	40,059,332
Other non-current assets	179,645	66,131	245,776
Total assets	50,693,726	14,831,900	65,525,626
LIABILITIES			
Accounts payable	1,603,797	82,401	1,686,198
Accrued liabilities	502,375	37,816	540,191
Unearned revenues	311,613	190,417	502,030
Capital leases due within one year	114,467	-	114,467
Capital leases due in more than one year	536,473	-	536,473
Compensated absences due within one year	161,732	13,739	175,471
Compensated absences due in more than one year	-	-	-
Notes payable due within one year	917,985	124,985	1,042,970
Notes payable due in more than one year	9,310,725	1,647,703	10,958,428
Bonds payable due within one year	-	91,651	91,651
Bonds payable due in more than one year	-	7,015,125	7,015,125
Landfill postclosure costs due within one year	9,645	-	9,645
Landfill postclosure costs due in more than one year	251,673	-	251,673
Total liabilities	13,720,485	9,203,837	22,924,322
NET ASSETS			
Investment in capital assets, net of related debt	19,115,730	6,484,876	25,600,606
Restricted for grant programs	43,210	-	43,210
Restricted for capital projects	8,865,898	-	8,865,898
Unrestricted	8,948,403	(856,813)	8,091,590
Total net assets	\$ 36,973,241	\$ 5,628,063	\$ 42,601,304

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

Component Units	
Health Department	Industrial Development Authority
\$ 138,928	\$ 183,944
350,570	106,712
-	-
-	15
-	2,090,425
29,305	-
861	-
-	-
-	-
35,402	-
-	-
<u>555,066</u>	<u>2,381,096</u>
33,627	-
15,783	-
-	-
-	-
-	-
21,590	-
-	85,783
-	2,004,642
-	-
-	-
-	-
-	-
<u>71,000</u>	<u>2,090,425</u>
35,402	-
-	-
-	-
<u>448,664</u>	<u>290,671</u>
<u>\$ 484,066</u>	<u>\$ 290,671</u>

PICKENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,098,119	\$ 991,037	\$ 135,312	\$ -
Judicial	4,323,578	1,876,761	1,287,467	-
Public safety	9,697,914	1,792,490	356,345	19,490
Public works	3,896,648	305,800	-	228,568
Health and welfare	263,094	-	58,772	95,000
Recreation	794,921	132,350	-	-
Housing and development	840,143	173,873	-	-
Interest on long-term debt	476,514	-	-	-
Total governmental activities	23,390,931	5,272,311	1,837,896	343,058
Business-type activities:				
Water	2,214,150	1,812,537	-	996,182
Airport	419,611	298,762	-	370,957
Total business-type activities	2,633,761	2,111,299	-	1,367,139
Total primary government	\$ 26,024,692	\$ 7,383,610	\$ 1,837,896	\$ 1,710,197
Component units:				
Health Department	\$ 686,788	\$ 217,935	\$ 377,652	\$ -
Industrial Development Authority	173,110	134,833	-	-
Total component units	\$ 859,898	\$ 352,768	\$ 377,652	\$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Miscellaneous earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year, as restated				
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
\$ (1,971,770)	\$ -	\$ (1,971,770)	\$ -	\$ -
(1,159,350)	-	(1,159,350)	-	-
(7,529,589)	-	(7,529,589)	-	-
(3,362,280)	-	(3,362,280)	-	-
(109,322)	-	(109,322)	-	-
(662,571)	-	(662,571)	-	-
(666,270)	-	(666,270)	-	-
(476,514)	-	(476,514)	-	-
<u>(15,937,666)</u>	<u>-</u>	<u>(15,937,666)</u>	<u>-</u>	<u>-</u>
-	594,569	594,569	-	-
-	250,108	250,108	-	-
-	844,677	844,677	-	-
<u>(15,937,666)</u>	<u>844,677</u>	<u>(15,092,989)</u>	<u>-</u>	<u>-</u>
-	-	-	(91,201)	-
-	-	-	-	(38,277)
-	-	-	<u>(91,201)</u>	<u>(38,277)</u>
10,135,533	-	10,135,533	-	-
6,875,850	-	6,875,850	-	-
1,482,790	-	1,482,790	-	-
259,544	2,407	261,951	-	4,945
-	1,874	1,874	-	-
<u>(224,119)</u>	<u>224,119</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>18,529,598</u>	<u>228,400</u>	<u>18,757,998</u>	<u>-</u>	<u>4,945</u>
2,591,932	1,073,077	3,665,009	(91,201)	(33,332)
34,381,309	4,554,986	38,936,295	575,267	324,003
<u>\$ 36,973,241</u>	<u>\$ 5,628,063</u>	<u>\$ 42,601,304</u>	<u>\$ 484,066</u>	<u>\$ 290,671</u>

PICKENS COUNTY, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

ASSETS	General	SPLOST	Other Governmental Funds	Total
Cash and cash equivalents	\$ 2,549,079	\$ 4,988,965	\$ 547,449	\$ 8,085,493
Investments	-	3,575,333	-	3,575,333
Taxes receivable, net	5,093,816	592,830	-	5,686,646
Accounts receivable, net	530,251	-	39,526	569,777
Notes receivable	-	-	43,210	43,210
Due from other governments	891,379	-	488,456	1,379,835
Due from other funds	226,670	-	-	226,670
Advances to other funds	1,260,152	-	-	1,260,152
Inventory	31,639	-	-	31,639
Total assets	\$ 10,582,986	\$ 9,157,128	\$ 1,118,641	\$ 20,858,755
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,412,845	\$ 110,683	\$ 80,269	\$ 1,603,797
Accrued liabilities	408,577	-	53,854	462,431
Deferred revenue	2,182,107	-	47,117	2,229,224
Due to other funds	-	180,547	159,507	340,054
Total liabilities	4,003,529	291,230	340,747	4,635,506
FUND BALANCES				
Fund balances:				
Reserved for:				
Inventory	31,639	-	-	31,639
Long-term advances	1,260,152	-	-	1,260,152
Revolving loans	-	-	43,210	43,210
Capital projects	-	8,865,898	-	8,865,898
Unreserved, undesignated reported in:				
General fund	5,287,666	-	-	5,287,666
Special revenue funds	-	-	734,684	734,684
Total fund balances	6,579,457	8,865,898	777,894	16,223,249
Total liabilities and fund balances	\$ 10,582,986	\$ 9,157,128	\$ 1,118,641	

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.	29,995,380
Some receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,917,611
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,342,644)
Net pension asset that is not a financial resource used in governmental activities and therefore not reported in governmental funds.	179,645
Net assets of governmental activities	\$ 36,973,241

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, 2008**

	<u>General</u>	<u>SPLOST</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues:				
Taxes	\$ 13,611,747	\$ 4,041,829	\$ 37,194	\$ 17,690,770
Intergovernmental	1,269,718	-	723,235	1,992,953
Licenses and permits	449,862	-	-	449,862
Charges for services	2,649,469	-	527,704	3,177,173
Fines and forfeitures	431,026	-	1,066,762	1,497,788
Interest	79,381	169,676	10,487	259,544
Other revenues	58,147	-	102,871	161,018
Contributions	80,906	-	-	80,906
Total revenues	<u>18,630,256</u>	<u>4,211,505</u>	<u>2,468,253</u>	<u>25,310,014</u>
Expenditures:				
Current:				
General government	3,454,095	-	126,566	3,580,661
Judicial	2,856,116	-	1,483,475	4,339,591
Public safety	7,840,459	-	1,241,198	9,081,657
Public works	2,994,949	-	-	2,994,949
Health and welfare	404,661	-	-	404,661
Culture and recreation	803,298	-	-	803,298
Housing and development	770,865	-	47,033	817,898
Capital outlay	-	2,647,142	-	2,647,142
Debt service:				
Principal	660,942	600,663	-	1,261,605
Interest	143,720	306,512	-	450,232
Total expenditures	<u>19,929,105</u>	<u>3,554,317</u>	<u>2,898,272</u>	<u>26,381,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,298,849)</u>	<u>657,188</u>	<u>(430,019)</u>	<u>(1,071,680)</u>
Other financing sources (uses):				
Transfers in	2,000	-	470,123	472,123
Transfers out	(694,242)	-	(2,000)	(696,242)
Issuance of capital lease	222,524	-	-	222,524
Sale of capital assets	169,593	-	-	169,593
Total other financing sources (uses)	<u>(300,125)</u>	<u>-</u>	<u>468,123</u>	<u>167,998</u>
Net change in fund balances	(1,598,974)	657,188	38,104	(903,682)
Fund balances, beginning of year, as restated	<u>8,178,431</u>	<u>8,208,710</u>	<u>739,790</u>	<u>17,126,931</u>
Fund balances, end of year	<u>\$ 6,579,457</u>	<u>\$ 8,865,898</u>	<u>\$ 777,894</u>	<u>\$ 16,223,249</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, 2008

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

Net change in fund balances - total governmental funds	\$ (903,682)
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.	1,749,859
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(251,378)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	896,968
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.	1,062,478
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>37,687</u>
Net increase in governmental activities	<u>\$ 2,591,932</u>

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

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2008

ASSETS	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 231,674	\$ 1,044	\$ 232,718
Accounts receivable, net of allowances	176,418	599	177,017
Due from other governments	-	92,573	92,573
Due from other funds	113,384	-	113,384
Inventory	9,717	36,172	45,889
Total current assets	531,193	130,388	661,581
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	783,009	1,441,628	2,224,637
Depreciable assets	14,974,804	1,498,805	16,473,609
Less accumulated depreciation	(3,100,544)	(233,362)	(3,333,906)
Total capital assets net of accumulated depreciation	12,657,269	2,707,071	15,364,340
Debt issuance costs, net	66,131	-	66,131
Total noncurrent assets	12,723,400	2,707,071	15,430,471
Total assets	13,254,593	2,837,459	16,092,052
LIABILITIES			
Current liabilities:			
Accounts payable	80,433	1,968	82,401
Accrued expenses	49,692	1,863	51,555
Unearned revenue	-	190,417	190,417
Notes payable - current	124,985	-	124,985
Bonds payable - current	91,651	-	91,651
Total current liabilities	346,761	194,248	541,009
Long-term liabilities:			
Advance from other funds	1,260,152	-	1,260,152
Notes payable	1,647,703	-	1,647,703
Bonds payable	7,015,125	-	7,015,125
Total long-term liabilities	9,922,980	-	9,922,980
Total liabilities	10,269,741	194,248	10,463,989
NET ASSETS			
Invested in capital assets, net of related debt	3,777,805	2,707,071	6,484,876
Unrestricted	(792,953)	(63,860)	(856,813)
Total net assets	\$ 2,984,852	\$ 2,643,211	\$ 5,628,063

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, 2008

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 1,812,537	\$ 298,762	\$ 2,111,299
Total operating revenues	<u>1,812,537</u>	<u>298,762</u>	<u>2,111,299</u>
OPERATING EXPENSES			
Personal services	524,978	61,805	586,783
Contractual services	414,516	3,200	417,716
Utilities	120,902	180,409	301,311
Repairs and maintenance	49,476	24,198	73,674
Other supplies and expenses	179,540	73,605	253,145
Depreciation and amortization	497,121	67,648	564,769
Total operating expenses	<u>1,786,533</u>	<u>410,865</u>	<u>2,197,398</u>
Operating income (loss)	<u>26,004</u>	<u>(112,103)</u>	<u>(86,099)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	2,402	5	2,407
Other nonoperating revenue	-	1,874	1,874
Loss on disposal of assets	(30,785)	(8,746)	(39,531)
Interest expense	(396,832)	-	(396,832)
Total nonoperating revenue (expenses)	<u>(425,215)</u>	<u>(6,867)</u>	<u>(432,082)</u>
Income (loss) before contributions and transfers	(399,211)	(118,970)	(518,181)
Capital contributions	996,182	370,957	1,367,139
Transfers in	<u>-</u>	<u>224,119</u>	<u>224,119</u>
Change in net assets	596,971	476,106	1,073,077
NET ASSETS, beginning of year, as restated	<u>2,387,881</u>	<u>2,167,105</u>	<u>4,554,986</u>
NET ASSETS, end of year	<u>\$ 2,984,852</u>	<u>\$ 2,643,211</u>	<u>\$ 5,628,063</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, 2008**

	<u>Water Fund</u>	<u>Airport Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,756,521	\$ 254,646	\$ 2,011,167
Payments to suppliers and service providers	(646,369)	(284,946)	(931,315)
Payments to employees	(517,979)	(61,130)	(579,109)
Net cash provided by (used in) operating activities	<u>592,173</u>	<u>(91,430)</u>	<u>500,743</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>2,402</u>	<u>5</u>	<u>2,407</u>
Net cash provided by investing activities	<u>2,402</u>	<u>5</u>	<u>2,407</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(78,433)	(412,947)	(491,380)
Proceeds from sale of capital assets	23,197	-	23,197
Receipt of capital grants	-	278,384	278,384
Principal paid on capital debt	(214,362)	-	(214,362)
Interest paid on capital debt	(547,482)	-	(547,482)
Net cash used in capital and related financing activities	<u>(817,080)</u>	<u>(134,563)</u>	<u>(951,643)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	224,119	224,119
Other nonoperating revenue	-	1,874	1,874
Net cash provided by noncapital financing activities	<u>-</u>	<u>225,993</u>	<u>225,993</u>
Net increase (decrease) in cash and cash equivalents	<u>(222,505)</u>	<u>5</u>	<u>(222,500)</u>
Cash and cash equivalents:			
Beginning of year	454,179	1,039	455,218
End of year	<u>\$ 231,674</u>	<u>\$ 1,044</u>	<u>\$ 232,718</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 26,004	\$ (112,103)	\$ (86,099)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	497,121	67,648	564,769
(Increase) decrease in accounts receivable	(56,016)	1,584	(54,432)
Increase in due from other funds	(93,187)	-	(93,187)
Decrease in inventories	12,927	113	13,040
Decrease in accounts payable	(22,588)	(3,647)	(26,235)
Increase in accrued expenses	6,999	675	7,674
Increase in advances from other funds	220,913	-	220,913
Decrease in deferred revenue	-	(45,700)	(45,700)
Net cash provided by (used in) operating activities	<u>\$ 592,173</u>	<u>\$ (91,430)</u>	<u>\$ 500,743</u>
Noncash capital and related financing activities:			
Assets purchased by governmental funds	<u>\$ 996,182</u>	<u>\$ -</u>	<u>\$ 996,182</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, 2008**

ASSETS	Agency Funds
Cash and cash equivalents	\$ 1,552,322
Taxes receivable	<u>12,173,308</u>
Total assets	<u>\$ 13,725,630</u>
LIABILITIES	
Due to others	\$ 1,552,322
Uncollected taxes due to others	<u>12,173,308</u>
Total liabilities	<u>\$ 13,725,630</u>

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

PICKENS COUNTY, GEORGIA

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, as amended by Statement No. 39, 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 within 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, charges for services, 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 and 2008 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" (i.e., the current portion) or "advances to/from other funds" (i.e., the non-current portion of the interfund balances). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 a 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 \$11,342,644 difference are as follows:

Capital leases payable	\$ (650,940)
Notes payable	(10,228,710)
Accrued interest	(39,944)
Compensated absences	(161,732)
Landfill postclosure costs	<u>(261,318)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (11,342,644)</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 a 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 \$1,749,859 difference are as follows:

Capital outlay	\$ 3,382,459
Depreciation expense	<u>(1,632,600)</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>\$ 1,749,859</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 \$1,062,478 difference are as follows:

Capital lease financing	\$ (222,524)
Principal repayments on capital lease	311,481
Principal repayments on notes payable	950,124
Landfill postclosure costs	<u>23,397</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>\$ 1,062,478</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 \$37,687 difference are as follows:

Compensated absences	\$ 32,251
Net pension asset	31,718
Accrued interest	<u>(26,282)</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>\$ 37,687</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

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 November 30, 2007, or as amended by the Commissioner. The supplementary budgetary appropriations made are reflected in the final budget amounts.

The following departments had an excess of actual expenditures over appropriations for the fiscal period ended December 31, 2008:

General Fund		
General government buildings	\$	55,549
Criminal investigation		338
Debt service		113,410

These over expenditures were funded by greater than anticipated revenues and by beginning fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2008, all of the County's deposits were properly collateralized with the depository financial institution.

At December 31, 2008, the County had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificate of deposit	12/31/09	\$ 3,075,333
Certificate of deposit	12/18/09	250,000
Certificate of deposit	12/17/09	250,000
Total		<u>\$ 3,575,333</u>

Interest rate risk: The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES

Receivables at December 31, 2008, 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	\$ 5,093,816	\$ 592,830	\$ -	\$ -	\$ -
Other governments	891,379	-	488,456	-	92,573
Accounts	652,446	-	39,526	178,836	599
Accounts - loans	-	-	43,210	-	-
Gross receivables	<u>6,637,641</u>	<u>592,830</u>	<u>571,192</u>	<u>178,836</u>	<u>93,172</u>
Less allowance for uncollectibles	(122,195)	-	-	(2,418)	-
Net receivables	<u>\$ 6,515,446</u>	<u>\$ 592,830</u>	<u>\$ 571,192</u>	<u>\$ 176,418</u>	<u>\$ 93,172</u>

Property taxes were levied on October 30, 2008, for the fiscal year 2008. Bills are payable on or before January 12, 2009, 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 2008 are recorded as receivables. The receivables collected during the year ended December 31, 2008, and collected by February 28, 2009, are recognized as revenues in the year ended December 31, 2008. Net receivables estimated to be collected subsequent to February 28, 2009 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2008 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	\$ 2,572,861	\$ -	\$ -	\$ 2,572,861
Construction in progress	-	874,103	(371,213)	502,890
Total capital assets, not being depreciated	<u>2,572,861</u>	<u>874,103</u>	<u>(371,213)</u>	<u>3,075,751</u>
Capital assets, being depreciated:				
Land improvements	934,810	-	-	934,810
Buildings	17,587,238	604,435	-	18,191,673
Machinery and equipment	4,217,967	902,792	(240,671)	4,880,088
Furniture and fixtures	22,470	-	-	22,470
Infrastructure	4,721,901	832,363	-	5,554,264
Vehicles	4,994,836	539,979	(96,423)	5,438,392
Total capital assets, being depreciated	<u>32,479,222</u>	<u>2,879,569</u>	<u>(337,094)</u>	<u>35,021,697</u>
Less accumulated depreciation for:				
Land improvements	257,367	29,798	-	287,165
Buildings	1,828,144	340,615	-	2,168,759
Machinery and equipment	1,482,704	313,346	(9,231)	1,786,819
Furniture and fixtures	6,736	1,127	-	7,863
Infrastructure	228,986	239,604	-	468,590
Vehicles	2,751,247	708,110	(76,485)	3,382,872
Total accumulated depreciation	<u>6,555,184</u>	<u>1,632,600</u>	<u>(85,716)</u>	<u>8,102,068</u>
Total capital assets, being depreciated, net	<u>25,924,038</u>	<u>1,246,969</u>	<u>(251,378)</u>	<u>26,919,629</u>
Governmental activities capital assets, net	<u>\$ 28,496,899</u>	<u>\$ 2,121,072</u>	<u>\$ (622,591)</u>	<u>\$ 29,995,380</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,690,594	\$ -	\$ -	\$ 1,690,594
Construction in progress	<u>307,066</u>	<u>638,361</u>	<u>(411,384)</u>	<u>534,043</u>
Total capital assets, not being depreciated	<u>1,997,660</u>	<u>638,361</u>	<u>(411,384)</u>	<u>2,224,637</u>
Capital assets, being depreciated:				
Airport improvements	706,470	-	-	706,470
Buildings	629,004	-	-	629,004
Machinery and equipment	622,562	472,624	(129,516)	965,670
Infrastructure	<u>13,384,504</u>	<u>787,961</u>	<u>-</u>	<u>14,172,465</u>
Total capital assets, being depreciated	<u>15,342,540</u>	<u>1,260,585</u>	<u>(129,516)</u>	<u>16,473,609</u>
Less accumulated depreciation for:				
Airport improvements	85,051	28,336	-	113,387
Buildings	136,132	25,851	-	161,983
Machinery and equipment	339,037	83,072	(66,788)	355,321
Infrastructure	<u>2,278,367</u>	<u>424,848</u>	<u>-</u>	<u>2,703,215</u>
Total accumulated depreciation	<u>2,838,587</u>	<u>562,107</u>	<u>(66,788)</u>	<u>3,333,906</u>
Total capital assets, being depreciated, net	<u>12,503,953</u>	<u>698,478</u>	<u>(62,728)</u>	<u>13,139,703</u>
Business-type activities capital assets, net	<u>\$ 14,501,613</u>	<u>\$ 1,336,839</u>	<u>\$ (474,112)</u>	<u>\$ 15,364,340</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	\$ 186,282
Judicial	11,840
Public safety	858,013
Public works	497,821
Health and welfare	25,589
Culture and recreation	17,576
Housing and development	35,479
Total depreciation expense - governmental activities	<u><u>\$ 1,632,600</u></u>
Business-type activities:	
Water Fund	\$ 494,459
Airport Fund	67,648
Total depreciation expense - business-type activities	<u><u>\$ 562,107</u></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
Vehicles	-	20,011	-	20,011
Total capital assets, being depreciated	<u>48,883</u>	<u>20,011</u>	<u>-</u>	<u>68,894</u>
Less accumulated depreciation for:				
Machinery and equipment	26,123	4,034	-	30,157
Vehicles	-	3,335	-	3,335
Total accumulated depreciation	<u>26,123</u>	<u>7,369</u>	<u>-</u>	<u>33,492</u>
Total capital assets, net	<u><u>\$ 22,760</u></u>	<u><u>\$ 12,642</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,402</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2008, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	\$ 159,507
General Fund	SPLOST Fund	67,163
Water Fund	SPLOST Fund	113,384

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	\$ 2,000
Nonmajor governmental funds	General Fund	470,123
Airport Fund	General Fund	224,119

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.

Advances to/from other funds are as follows:

Receivable fund	Payable fund	Amount
General Fund	Water Fund	1,260,152

The amounts payable to the General Fund relate to equipment and operating startup costs paid for by the General fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. SHORT-TERM BORROWINGS

The County paid off a tax anticipation note for operating purposes of \$1,500,000 at a local financial institution. The note carried an interest rate of 3.66% and matured on December 31, 2008. As of December 31, 2008, the principal was paid in full.

Total short-term borrowings interest incurred and expensed for the period ended December 31, 2008, was \$12,453.

The following is a summary of the tax anticipation note payable for the period ended December 31, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ -	\$ 1,500,000	\$ (1,500,000)	\$ -

NOTE 9. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2008:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental activities					
Capital leases	\$ 739,897	\$ 222,524	\$ (311,481)	\$ 650,940	\$ 114,467
Notes payable	11,178,834	-	(950,124)	10,228,710	917,985
Compensated absences	193,983	214,903	(247,154)	161,732	161,732
Landfill postclosure costs	284,715	-	(23,397)	261,318	9,645
Governmental activities long-term liabilities	\$ 12,397,429	\$ 437,427	\$ (1,532,156)	\$ 11,302,700	\$ 1,203,829
Business-type activities					
Capital leases	\$ 20,254	\$ -	\$ (20,254)	\$ -	\$ -
Notes payable	1,892,310	-	(119,622)	1,772,688	124,985
Bonds payable	7,181,262	-	(74,486)	7,106,776	91,651
Compensated absences	11,790	17,431	(15,482)	13,739	13,739
Business-type activities long-term liabilities	\$ 9,105,616	\$ 17,431	\$ (229,844)	\$ 8,893,203	\$ 230,375

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

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, 2008 is as follows:

	Governmental Activities
Equipment	\$ 885,501

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

	Governmental Activities
Year ending December 31	
2009	\$ 141,017
2010	161,144
2011	278,664
2012	131,207
Less amount representing interest	(61,092)
Present value of future minimum lease payments	\$ 650,940

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 \$26,026 to \$712,247 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
2009	\$ 917,985	\$ 394,011	\$ 1,311,996
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	1,053,151	232,818	1,285,969
2014-2018	4,421,149	547,732	4,968,881
2019-2020	925,517	24,236	949,753
Total	\$ 10,228,710	\$ 2,145,798	\$ 12,374,508

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued). 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, 2008, the County had three (3) such loan agreements with an outstanding balance of \$1,772,688. Quarterly installments of principal and interest are due through 2025 with interest rates from 2.0% to 3.66%.

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>
2009	\$ 124,985	\$ 72,857	\$ 197,842
2010	130,601	67,241	197,842
2011	136,485	61,357	197,842
2012	142,649	55,193	197,842
2013	149,107	48,735	197,842
2014-2018	616,016	144,879	760,895
2019-2023	369,446	54,318	423,764
2024-2025	103,399	2,544	105,943
Total	<u>\$ 1,772,688</u>	<u>\$ 507,124</u>	<u>\$ 2,279,812</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 9. 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>
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	109,626	292,686	402,312
2014-2018	628,325	1,383,235	2,011,560
2019-2023	786,524	1,225,036	2,011,560
2024-2028	985,015	1,026,545	2,011,560
2029-2033	1,234,175	777,385	2,011,560
2034-2038	1,228,185	485,277	1,713,462
2039-2043	1,014,916	259,964	1,274,880
2044-2047	727,458	47,785	775,243
Total	<u>\$ 7,106,776</u>	<u>\$ 6,714,609</u>	<u>\$ 13,821,385</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, 2008, the County has a remaining 26 years of monitoring. Engineering studies estimate postclosure costs of approximately \$261,318 over the 26 year period. These costs are based on what it would cost to perform all postclosure care in 2008. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (CONTINUED)

Industrial Development Authority – Component Unit.

The following is a summary of the Authority's long-term debt activity for the year ended December 31, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 2,174,196	\$ -	\$ (83,771)	\$ 2,090,425	\$ 85,783
	<u>\$ 2,174,196</u>	<u>\$ -</u>	<u>\$ (83,771)</u>	<u>\$ 2,090,425</u>	<u>\$ 85,783</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 March 25, 2025 and January 25, 2024, respectively. The current interest rate on both notes is 5.25%, 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>
2009	\$ 85,783	\$ 112,217	\$ 198,000
2010	90,953	107,047	198,000
2011	96,006	101,994	198,000
2012	101,340	96,660	198,000
2013	106,971	91,029	198,000
2014-2018	630,896	359,104	990,000
2019-2023	826,785	163,215	990,000
2024-2025	151,691	5,568	157,259
Total	<u>\$ 2,090,425</u>	<u>\$ 1,036,834</u>	<u>\$ 3,127,259</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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, 2008, (the most recent actuarial valuation date) are as follows:

	January 1, 2008	January 1, 2007
<u>Derivation of Annual Pension Cost</u>		
Annual Required Contribution	\$ 346,691	\$ 311,665
Interest on Net Pension Obligation	(11,834)	(9,725)
Adjustment to Annual Required Contribution	12,486	10,261
Annual Pension Cost	\$ 347,343	\$ 312,201
 <u>Derivation of Net Pension Obligation</u>		
Annual Pension Cost for Current Year		\$ 347,343
Actual Contributions to Plan for Current Year		379,061
Increase in Net Pension Obligation		(31,718)
Net Pension Obligation (Asset) as of December 31, 2007		(147,927)
Net Pension Obligation (Asset) as of December 31, 2008		\$ (179,645)

NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFINED BENEFIT PLAN (CONTINUED)

Basis of Valuation

Current Valuation Date	January 1, 2008
Annual Return on Invested Plan Assets	8.0%
Projected Annual Salary Increases	5.0%
Expected Annual Inflation (included in above)	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)
1/1/08	\$ 347,343	\$ 379,061	109 %	\$ (179,645)
1/1/07	312,201	338,562	108	(147,927)
1/1/06	273,934	302,796	111	(121,566)

As of the most recent valuation date, January 1, 2008, the funded status of the Plan was as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/08	\$ 2,160,646	\$ 3,399,887	63.6 %	\$ 1,239,241	\$ 5,086,422	24.4 %

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2008.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. 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 12. 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 13. 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, 2008, 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 2008. As a result, no balance sheet or income statement is presented in the audited financial statements of Pickens County at December 31, 2008.

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, 2008, the County paid \$25,308 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 13. 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, 2008. 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 14. HOTEL/MOTEL TAX

The County has levied a 6% lodging tax. During the year ended December 31, 2008, the County collected \$37,194 in revenues. Of this amount \$31,047, or 83%, was expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

NOTE 15. PRIOR PERIOD ADJUSTMENTS

Primary Government

The County has determined that a restatement of beginning net assets of the Water Fund, a major proprietary fund, is necessary to properly record capital assets and related depreciation expense in the Water Fund that were previously reported in governmental activities. These adjustments result in a change to the beginning net assets of the Water Fund as follows:

Net assets, as previously reported	\$ 1,745,739
Effect of properly recording capital assets	642,142
Net assets, as restated	<u>\$ 2,387,881</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 15. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The above restatement to the Water Fund also affected the net assets of business-type activities as follows:

Net assets, as previously reported	\$ 3,912,844
Effect of properly recording capital assets	<u>642,142</u>
Net assets, as restated	<u><u>\$ 4,554,986</u></u>

The above restatements to the Water Fund and business-type activities also affected the net assets of governmental activities as follows:

Net assets, as previously reported	\$ 35,023,451
Effect of proper recording of capital assets	<u>(642,142)</u>
Net assets, as restated	<u><u>\$ 34,381,309</u></u>

The County has determined that a restatement of beginning fund balance of the General Fund is necessary to properly report deferred revenue for ambulance receivables which are not available to repay current costs. This adjustment results in a change to the beginning fund balance of the General Fund as follows:

Fund balance, as previously reported	\$ 8,506,124
Effect of proper deferral of unavailable resources	<u>(327,693)</u>
Fund balance, as restated	<u><u>\$ 8,178,431</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

PICKENS COUNTY, GEORGIA

GENERAL FUND BUDGETARY COMPARISON SCHEDULE (GAAP BASIS) FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 13,123,427	\$ 13,611,747	\$ 13,611,747	\$ -
Licenses and permits	765,550	449,862	449,862	-
Intergovernmental	1,356,314	1,269,718	1,269,718	-
Charges for services	1,946,625	2,818,113	2,649,469	(168,644)
Fines and forfeitures	382,850	431,026	431,026	-
Interest income	67,500	79,381	79,381	-
Other revenues	40,901	43,147	58,147	15,000
Contributions	1,500	80,906	80,906	-
Total revenues	17,684,667	18,783,900	18,630,256	(153,644)
Expenditures:				
Current:				
General government:				
Legislative	148,659	148,749	148,749	-
Commissioner	121,332	123,184	123,184	-
Board of elections	227,781	258,621	258,621	-
General administration	215,541	501,761	478,372	23,389
Financial administration	142,410	143,431	143,431	-
Accounting	93,512	86,077	86,077	-
Human resources	48,896	48,705	48,705	-
Law	113,000	71,812	71,812	-
Tax commissioner	516,796	538,350	538,350	-
Tax assessor	491,325	484,539	484,539	-
General government buildings	396,709	916,026	971,575	(55,549)
Public information	145	48,887	48,887	-
Special project	73,885	23,511	23,511	-
General administration fees	28,302	28,282	28,282	-
Total general government	2,618,293	3,421,935	3,454,095	(32,160)
Judicial:				
Judicial administration	127,458	63,488	63,488	-
Family information law center	-	50,818	50,818	-
Superior court	149,362	163,194	163,194	-
Visitation center	35,898	33,141	33,141	-
Clerk of superior court	567,297	526,683	526,683	-
District attorney	471,993	485,792	485,792	-
Magistrate court	254,225	299,131	299,131	-
Probate court	299,803	309,390	309,390	-
Juvenile court	582,853	637,937	625,438	12,499
Grand jury	4,725	9,097	9,097	-
Law library	45	949	949	-
Public defender	319,000	288,995	288,995	-
Total judicial	\$ 2,812,659	\$ 2,868,615	\$ 2,856,116	\$ 12,499

(Continued)

PICKENS COUNTY, GEORGIA

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Public safety administration	\$ 85,729	\$ 18,983	\$ 18,983	\$ -
Sheriff	150,188	151,171	151,171	-
Law enforcement administration	776,815	934,965	934,965	-
Criminal investigation	384,419	370,417	370,755	(338)
Uniform patrol	1,257,718	1,259,992	1,259,992	-
Jail operations	1,377,011	1,396,129	1,396,129	-
Sheriff office and building	204,950	182,370	182,370	-
Emergency medical services	441,728	422,878	422,878	-
Adult probation and parole	310,163	423,270	423,270	-
Fire fighting	734,111	675,689	675,689	-
Fire stations and building	-	7,628	7,628	-
EMS administration	126,415	179,446	179,446	-
EMS operations	1,465,562	1,663,178	1,663,178	-
EMS stations and buildings	36,200	37,125	37,125	-
Coroner	32,890	33,996	33,996	-
Emergency 911	-	55,238	55,238	-
Animal rescue	16,000	16,000	16,000	-
Emergency management agency	-	11,646	11,646	-
Total public safety	<u>7,399,899</u>	<u>7,840,121</u>	<u>7,840,459</u>	<u>(338)</u>
Public works:				
Public works administration	77,777	79,017	79,017	-
Highways and streets	205,406	94,416	94,416	-
Roadways and walkways	1,371,845	2,182,227	2,016,179	166,048
Paved streets	260,000	-	-	-
Unpaved streets	120,000	5,153	5,153	-
Bridges	10,000	43	43	-
Street lighting	7,500	9,891	9,891	-
Traffic engineering	64,848	134,008	134,008	-
Solid waste/recycling administration	530,123	560,210	560,210	-
Closure and post-closure costs	7,500	23,373	23,373	-
Public education	24,475	24,475	24,475	-
Maintenance and shop	123,609	48,184	48,184	-
Total public works	<u>2,803,083</u>	<u>3,160,997</u>	<u>2,994,949</u>	<u>166,048</u>
Health and welfare:				
Public health	83,428	83,703	83,703	-
Regulation and inspection	706	2,748	2,748	-
Buildings and plant	5,600	4,479	4,479	-
Welfare/other direct assistance	28,380	202,111	202,111	-
Senior citizens center	15,347	21,104	21,104	-
Transportation services	55,710	90,516	90,516	-
Total health and welfare	<u>\$ 189,171</u>	<u>\$ 404,661</u>	<u>\$ 404,661</u>	<u>\$ -</u>

(Continued)

PICKENS COUNTY, GEORGIA

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures: (Continued)				
Current: (Continued)				
Culture and recreation:				
Recreation	\$ 156,122	\$ 135,980	\$ 135,980	\$ -
Participation recreation	121,451	136,437	136,437	-
Recreation centers	17,670	59,659	59,659	-
Playgrounds	31,100	529	529	-
Swimming pools	27,672	25,512	25,512	-
Other recreational facilities	8,500	2,095	2,095	-
Spectator recreation	3,950	2,100	2,100	-
Special facilities	30,289	39,009	39,009	-
Park areas	173,321	133,974	133,974	-
Park lighting	5,400	607	607	-
Libraries	252,465	267,396	267,396	-
Total culture and recreation	<u>827,940</u>	<u>803,298</u>	<u>803,298</u>	<u>-</u>
Housing and development:				
County agent	-	1,000	1,000	-
Agricultural resources	62,788	70,230	70,230	-
Building inspection	285,299	271,376	271,376	-
Planning and zoning	509,735	393,633	393,633	-
Assistance administration	58,082	34,626	34,626	-
Total housing and development	<u>915,904</u>	<u>770,865</u>	<u>770,865</u>	<u>-</u>
Debt service:				
Principal	647,719	647,719	660,942	(13,223)
Interest	243,533	43,533	143,720	(100,187)
Total debt service	<u>891,252</u>	<u>691,252</u>	<u>804,662</u>	<u>(113,410)</u>
Total expenditures	<u>18,458,201</u>	<u>19,961,744</u>	<u>19,929,105</u>	<u>32,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(773,534)</u>	<u>(1,177,844)</u>	<u>(1,298,849)</u>	<u>(121,005)</u>
Other financing sources (uses):				
Transfers in	-	-	2,000	2,000
Transfers out	(608,189)	(832,264)	(694,242)	138,022
Capital lease proceeds	-	-	222,524	222,524
Sale of capital assets	15,000	15,000	169,593	154,593
Total other financing sources (uses)	<u>(593,189)</u>	<u>(817,264)</u>	<u>(300,125)</u>	<u>517,139</u>
Net change in fund balance	(1,366,723)	(1,995,108)	(1,598,974)	396,134
Fund balance, beginning of year, as restated	<u>8,178,431</u>	<u>8,178,431</u>	<u>8,178,431</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,811,708</u>	<u>\$ 6,183,323</u>	<u>\$ 6,579,457</u>	<u>\$ 396,134</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
12/31/2008	\$ 2,160,646	\$ 3,399,887	\$ 1,239,241	63.6 %	\$ 5,086,422	24.4 %
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

Note: See assumptions used for the Schedule of Funding Progress in Note 10 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, 2008

Special Revenue Funds						
ASSETS	E911	Drug Task Force	Revolving Loan	Hotel/Motel Tax	Adult Drug Court	Appalachian Pre-Trial and Probation
Cash and cash equivalents	\$ 82,839	\$ 79,790	\$ 11,479	\$ 75,716	\$ 77,763	\$ 65,631
Accounts receivable	38,798	-	-	728	-	-
Accounts receivable - loans	-	-	43,210	-	-	-
Due from other governments	-	339,232	-	-	4,910	1,428
Total assets	\$ 121,637	\$ 419,022	\$ 54,689	\$ 76,444	\$ 82,673	\$ 67,059
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	\$ 55,635	\$ 8,979	\$ 5,127	\$ 177	\$ 465
Accrued liabilities	22,479	31,375	-	-	-	-
Due to other funds	-	111,185	-	-	3,148	20,594
Deferred revenue	-	-	-	-	-	-
Total liabilities	22,479	198,195	8,979	5,127	3,325	21,059
FUND BALANCES						
Reserved for revolving loans	-	-	43,210	-	-	-
Unreserved, undesignated	99,158	220,827	2,500	71,317	79,348	46,000
Total fund balances	99,158	220,827	45,710	71,317	79,348	46,000
Total liabilities and fund balances	\$ 121,637	\$ 419,022	\$ 54,689	\$ 76,444	\$ 82,673	\$ 67,059

CASA	Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	Total Nonmajor Governmental Funds
\$ 19,051	\$ 48,367	\$ 4,350	\$ 40,750	\$ 9,706	\$ 32,007	\$ 547,449
-	-	-	-	-	-	39,526
-	-	-	-	-	-	43,210
113,385	3,622	10,118	-	-	15,761	488,456
<u>\$ 132,436</u>	<u>\$ 51,989</u>	<u>\$ 14,468</u>	<u>\$ 40,750</u>	<u>\$ 9,706</u>	<u>\$ 47,768</u>	<u>\$ 1,118,641</u>
\$ 4,911	\$ 4,948	\$ -	\$ -	\$ -	\$ 27	\$ 80,269
-	-	-	-	-	-	53,854
19,031	-	2,528	293	-	2,728	159,507
47,117	-	-	-	-	-	47,117
71,059	4,948	2,528	293	-	2,755	340,747
-	-	-	-	-	-	43,210
61,377	47,041	11,940	40,457	9,706	45,013	734,684
61,377	47,041	11,940	40,457	9,706	45,013	777,894
<u>\$ 132,436</u>	<u>\$ 51,989</u>	<u>\$ 14,468</u>	<u>\$ 40,750</u>	<u>\$ 9,706</u>	<u>\$ 47,768</u>	<u>\$ 1,118,641</u>

PICKENS COUNTY, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Special Revenue Funds					
	E911	Drug Task Force	Revolving Loan	Hotel/Motel Tax	Adult Drug Court	Appalachian Pre-Trial and Probation
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 37,194	\$ -	\$ -
Fines and forfeitures	-	34,408	-	-	1,382	1,000,834
Intergovernmental	-	278,812	-	-	60,579	48,898
Charges for services	452,922	-	-	-	74,782	-
Interest income	55	1,130	2,726	1,225	2,822	1,504
Other revenues	-	9,814	-	-	11,582	-
Total revenues	452,977	324,164	2,726	38,419	151,147	1,051,236
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	128,662	1,069,059
Public safety	846,472	354,758	-	-	-	-
Housing and development	-	-	17,986	29,047	-	-
Total expenditures	846,472	354,758	17,986	29,047	128,662	1,069,059
Excess (deficiency) of revenues over (under) expenditures	<u>(393,495)</u>	<u>(30,594)</u>	<u>(15,260)</u>	<u>9,372</u>	<u>22,485</u>	<u>(17,823)</u>
Other financing sources (uses):						
Transfers in	410,542	47,081	-	-	-	-
Transfers out	-	-	-	(2,000)	-	-
Total other financing sources (uses)	410,542	47,081	-	(2,000)	-	-
Net change in fund balances	17,047	16,487	(15,260)	7,372	22,485	(17,823)
Fund balances, beginning of year	82,111	204,340	60,970	63,945	56,863	63,823
Fund balances, end of year	\$ 99,158	\$ 220,827	\$ 45,710	\$ 71,317	\$ 79,348	\$ 46,000

CASA	Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,194
-	-	-	30,138	-	-	1,066,762
153,175	40,835	26,884	-	-	114,052	723,235
-	-	-	-	-	-	527,704
-	987	-	-	38	-	10,487
50	-	8,532	-	42,893	30,000	102,871
<u>153,225</u>	<u>41,822</u>	<u>35,416</u>	<u>30,138</u>	<u>42,931</u>	<u>144,052</u>	<u>2,468,253</u>
-	-	-	-	-	126,566	126,566
167,839	60,105	31,700	26,110	-	-	1,483,475
-	-	-	-	39,968	-	1,241,198
-	-	-	-	-	-	47,033
<u>167,839</u>	<u>60,105</u>	<u>31,700</u>	<u>26,110</u>	<u>39,968</u>	<u>126,566</u>	<u>2,898,272</u>
<u>(14,614)</u>	<u>(18,283)</u>	<u>3,716</u>	<u>4,028</u>	<u>2,963</u>	<u>17,486</u>	<u>(430,019)</u>
12,500	-	-	-	-	-	470,123
-	-	-	-	-	-	(2,000)
<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,123</u>
(2,114)	(18,283)	3,716	4,028	2,963	17,486	38,104
63,491	65,324	8,224	36,429	6,743	27,527	739,790
<u>\$ 61,377</u>	<u>\$ 47,041</u>	<u>\$ 11,940</u>	<u>\$ 40,457</u>	<u>\$ 9,706</u>	<u>\$ 45,013</u>	<u>\$ 777,894</u>

PICKENS COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2008**

2003 SPLOST	Project	Estimated Cost		Expenditures		
		Original	Current	Prior Years	Current Year	Total
	Fire department equipment, fire trucks and construction of new fire houses	\$ 2,250,000	\$ 2,100,000	\$ 1,905,880	\$ 27,995	\$ 1,933,875
	Emergency medical services equipment and construction of new EMS facilities	1,250,000	750,000	290,753	277,026	567,779
	Emergency 911 facilities improvements	450,000	506,000	505,748	-	505,748
	Sheriff department facilities remodeling and upgrade	6,000,000	10,130,000	7,551,936	729,935	8,281,871
	Water department facilities and water line improvements	4,500,000	3,500,000	1,110,975	996,180	2,107,155
	Paving and resurfacing of roads	7,550,000	5,014,000	3,408,592	1,328,253	4,736,845
		<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>	<u>\$ 14,773,884</u>	<u>\$ 3,359,389</u>	<u>\$ 18,133,273</u>
2008 SPLOST	Project	Estimated Cost		Expenditures		
		Original	Current	Prior Years	Current Year	Total
	Renovation, repair, remodeling, modification, construction, and equipping of existing courthouse and new parking facility	\$ 17,000,000	\$ 17,000,000	\$ -	\$ -	\$ -
	Repayment of principal and interest on administrative building debt	2,726,000	2,726,000	-	194,928	194,928
	Repayment of principal and interest on adult detention center debt	3,200,000	3,200,000	-	-	-
	Parks and recreation facilities	3,000,000	3,000,000	-	-	-
	Library facilities	2,000,000	2,000,000	-	-	-
	Public safety equipment	1,500,000	1,500,000	-	-	-
	City of Jasper - road projects	954,889	954,889	-	-	-
	City of Nelson					
	Road projects	65,000	65,000	-	-	-
	Public safety	30,000	30,000	-	-	-
	Recreation facilities	15,780	15,780	-	-	-
	City of Talking Rock - city hall and community building	31,975	31,975	-	-	-
	Improvements of existing water facilities and water lines	2,000,000	2,000,000	-	-	-
	Paving and resurfacing of roads, streets, and buildings	1,476,356	1,476,356	-	-	-
		<u>\$ 34,000,000</u>	<u>\$ 34,000,000</u>	<u>\$ -</u>	<u>\$ 194,928</u>	<u>\$ 194,928</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, 2008**

<u>ASSETS</u>	Clerk of Superior Court	Judge Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total
Cash and cash equivalents	\$ 230,425	\$ 18,166	\$ 13,332	\$ 14,167	\$ 1,276,232	\$ 1,552,322
Taxes receivable	-	-	-	-	12,173,308	12,173,308
Total assets	<u>\$ 230,425</u>	<u>\$ 18,166</u>	<u>\$ 13,332</u>	<u>\$ 14,167</u>	<u>\$ 13,449,540</u>	<u>\$ 13,725,630</u>
<u>LIABILITIES</u>						
Due to others	\$ 230,425	\$ 18,166	\$ 13,332	\$ 14,167	\$ 1,276,232	\$ 1,552,322
Uncollected taxes	-	-	-	-	12,173,308	12,173,308
Total liabilities	<u>\$ 230,425</u>	<u>\$ 18,166</u>	<u>\$ 13,332</u>	<u>\$ 14,167</u>	<u>\$ 13,449,540</u>	<u>\$ 13,725,630</u>

COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

PICKENS COUNTY, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 83,771
Payments to suppliers	<u>(130,916)</u>
Net cash used in operating activities	<u>(47,145)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>143,646</u>
Net cash provided by investing activities	<u>143,646</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on capital debt	<u>(143,661)</u>
Net cash used in capital and related financing activities	<u>(143,661)</u>
Net decrease in cash and cash equivalents	(47,160)

Cash and cash equivalents:

Beginning of year	<u>231,104</u>
End of year	<u><u>\$ 183,944</u></u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (38,277)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in notes receivable	83,771
Decrease in accounts payable	(8,868)
Decrease in notes payable	<u>(83,771)</u>
Net cash used in operating activities	<u><u>\$ (47,145)</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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 29, 2009, which includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Pickens County Board of Health, as described in our report of the County's financial statements. This report does not include the results of the other auditors' consideration of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 2008-1 through 2008-7 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 2008-1 through 2008-6 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 29, 2009.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
July 29, 2009



**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, 2008. 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 \$206,558 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ending December 31, 2008. 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, 2008.

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.

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 29, 2009

PICKENS COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass- through Grantor Number	Total Expenditures
U.S. Department of Health and Human Services			
Passed through Georgia Department of Human Resources			
Promoting Safe and Stable Families	93.556	MOU-2009-010-00210	\$ 10,118
Promoting Safe and Stable Families	93.556	MOU-2007-112-0037	16,606
Promoting Safe and Stable Families	93.556	MOU-2009-918-3243	24,389
Promoting Safe and Stable Families	93.556	MOU-2008-061-0029	50,963
Total Department of Health and Human Services			<u>102,076</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	<u>95,000</u>
U.S. Department of Transportation			
Passed through Georgia Department of Transportation			
Formula Grant for Other than Urbanized Areas	20.509	MTGG-000-139-00-200	58,772
Airport Improvement Program	20.106	AP080-9899-16(227)	123,465
Airport Improvement Program	20.106	AP080-9899-15(227)	233,463
			<u>356,928</u>
Total Department of Transportation			<u>415,700</u>
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	75,500
Edward Byrne Memorial Formula Grant Program	16.579	B07-8-057	109,151
			<u>184,651</u>
Victims of Child Abuse	16.547	C07-8-097	61,426
Victims of Child Abuse	16.547	C08-8-102	14,190
			<u>75,616</u>
Violence Against Women Formula Grants	16.588	W070-8-037	40,835
Passed through Bureau of Justice Assistance			
Drug Court Discretionary Grant Program	16.585	14103.01.01	65,736
Drug Court Discretionary Grant Program	16.585	14103.01.01	15,761
			<u>81,497</u>
Total Department of Justice			<u>385,549</u>
Total Federal Expenditures			<u>\$ 998,325</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, 2008

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 none reported

Noncompliance material to financial statements noted? yes none reported

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 programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.579	Edward Byrne Memorial Formula Grant Program
20.106	Airport Improvement Program

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, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2008-1. Restatement of Prior Year's Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of the County.

Condition: Internal controls were not sufficient to detect material misstatements in the County's financial statements for the year ended December 31, 2007.

Context/Cause: During our audit for the year ended December 31, 2008, material misstatements were identified that caused the need to restate financial statement balances reported as of and for the year ended December 31, 2007 as follows:

- An adjustment was made to remove capital assets from governmental activities and record them in the Water Fund. An adjustment of approximately \$642,000 was required to properly reflect capital assets in the County's Water Fund and business-type activities.
- The General Fund was not recognizing ambulance revenues in accordance with generally accepted accounting principles and County policy. An adjustment of approximately \$328,000 was required to defer revenues which were unavailable at the fund level.

Effects: Total misstatements were approximately \$970,000 for capital assets and revenue recognition for the year ended December 31, 2007.

Recommendation: We recommend the County carefully review the financial statements and the applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that the financial statements are properly reported.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-2. Receivables and Related Revenues/Liabilities

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

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

Context/Cause: During our testing, the following audit adjustments were required to properly report receivables and related revenues/liabilities:

- An audit adjustment of approximately \$4,566,000 was required to decrease property taxes receivable and deferred revenue of the General Fund to correct amounts previously provided to the County's finance department by the Tax Commissioner's office.
- An audit adjustment of approximately \$10,817,000 was required to reduce overstated receivables and related liabilities in the Tax Commissioner Agency Fund.
- An audit adjustment of approximately \$37,000 was required to adjust unbilled receivables and revenue in the Water Fund.
- Audit adjustments of approximately \$169,000 were required to reduce ambulance revenues for allowance for doubtful accounts and revenues that were unavailable.

Effects: Total misstatements were approximately \$15,589,000 for receivables and related revenues/liabilities for the year ended December 31, 2008.

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 receivables and the related revenues recognition are proper.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-3. Expenditure/Expense Recognition

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the County's expenses/expenditures and related liabilities.

Context/Cause: During our testing of expenditures, certain audit adjustments were required to correct current year amounts as follows:

- An adjustment of approximately \$90,000 was required in the SPLOST Fund to record additional expenditures and payables found during subsequent disbursement testing.
- An adjustment of approximately \$149,000 was required in the Water Fund to remove accrued interest expenses which were not incurred by year end.
- An adjustment of approximately \$156,000 was required to record the recovery charges from telephone service providers in the E911 Fund.

Effects: Audit adjustments totaling approximately \$395,000 were needed to correctly report expenditures/expenses and related liabilities.

Recommendation: We recommend the County carefully review all expenditures and related balance sheet accounts to ensure all necessary transactions are reported in the proper period and in the proper fund.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures and related balance sheet accounts are properly recorded.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-4. 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 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 the following adjustments were required to properly report capital assets:

- In the Airport Fund adjustments of approximately \$16,000 were required to properly report capital assets and accumulated depreciation.
- In the Water Fund and in business-type activities, adjustments of approximately \$1,064,000 were needed to report capital assets in the appropriate fund.

Effects: Approximately \$1,080,000 of adjustments were required 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.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-5. Timely Reporting of Accurate Financial Information

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

Condition: Internal controls and financial reporting procedures were not sufficient to facilitate the accurate, timely reporting of the County's overall financial position and results of operations as of and for the year ended December 31, 2008.

Context/Cause: The County did not complete its year-end closing process to provide final trial balances and subsidiary ledgers necessary for auditing the majority of its funds for the year ended December 31, 2008 until the middle of May 2009. Additionally, several subsidiary listings and schedules, including capital assets, debt schedules and schedules of federal awards, were not provided until May and June 2009.

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, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-6. 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: During our documentation of the internal controls of the County, including the other elected official's offices, we noted the following areas where duties were not appropriately segregated:

- 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.
- Individuals who post cash receipts to the receivable subledger also (1) maintain or authorized receivable adjustments; (2) process customer service calls or complaints; (3) open the mail or copy checks received; (4) prepare deposits; (5) deposit cash receipts; and (6) reconcile the bank accounts.
- Cashier funds are not counted and reconciled at the end of each shift and reconciliations reviewed by a supervisor.
- Individuals who reconcile the bank accounts also maintain access to the cash and can investigate discrepancies or issues related to cash.
- Individuals who investigate discrepancies or issues related to cash also maintain the cash receipts journal, post journal entries to the general ledger, monitor suspense or clearing account usage, maintain the chart of accounts, edit transactional data or approve edits of transactional data.
- Individuals who approve usage and billing cycles also review accounts receivable aging trial balances; authorize write-offs of delinquent accounts; independently investigate account discrepancies; maintain or authorize account adjustments; edit receivable master files; and process service calls or complaints.
- Individuals who process water bills are not independent of the collection function.
- Individuals who initiate purchase orders can initiate checks; approve purchase orders; prepare or issue debit memos; input purchase orders; verify or process inventory; investigate discrepancies or issues with expenditures, inventory, capital assets, debt or cash; and process sales orders.

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-6. Segregation of Duties (Continued)

- Individuals who prepare or issue debit memos can also initiate purchase orders; approve purchase orders; maintain purchase journals; edit vendor master files; reconcile accounts payable to the general ledger; and investigate discrepancies involving expenditures, capital assets or inventory.
- There are overlapping duties in the payroll process; employees who initiate or prepare payroll checks should not disburse payroll checks; control unclaimed payroll checks; edit the master file; resolve payroll inquiries; or review and authorize electronic payroll disbursements.
- Individuals who determine salary and wage rates can also approve changes to salary and wage rates.
- There are overlapping duties in the capital asset process. Individuals who initiate the purchase of capital assets can authorize purchases; record the transaction; initiate the disposal; reconcile the subsidiary ledger to the general ledger; maintain access to and custody of capital assets; investigate discrepancies with capital assets; and edit the master file. Additionally, individuals who record capital assets can reconcile the payable subledger to the general ledger; initiate disposals of assets; reconcile capital assets subledgers; and edit master files.

Context: Several instances of overlapping duties were noted during interviews and walk-through procedures regarding internal controls of the County.

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.

Cause: The failure in segregation of duties is mostly due to the limited number of individuals 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, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2008-7. 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, 2008, we noted that the Clerk of Court (general account), and Sheriff's Office (inmate's account and main operating account) had \$828, \$5,497, and \$11, respectively, in bank accounts for which no comprehensive detail listing was available to identify to whom the funds were owed. In addition, the Tax Commissioner and Magistrate Court had liabilities which exceeded their cash balance by approximately \$11,000 and \$5,000, respectively.

Context/Cause: During our testing of the County's agency funds, we noted the following funds for which the County could not account for the differences in the cash balances and the year-end liability ledgers:

- The Clerk of Court did not have a subsidiary detail of \$828 of cash deposited in the general account.
- The Tax Commissioner's liabilities exceeded the cash balances by approximately \$11,000.
- The Sheriff's inmate account did not have a subsidiary detail of approximately \$5,500 of the nearly \$11,000 of inmate funds on deposit.
- The Sheriff's main operating account did not have a subsidiary detail of \$11 of cash.
- The Magistrate Court's liabilities exceeded the cash balances by approximately \$5,000.

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, 2008**

**SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None reported

PICKENS COUNTY, GEORGIA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

2007-10. Timely Submission of Reimbursement Requests

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.

Auditee Response/Status: The reimbursements are now being filed quarterly and are being submitted to the Finance department for review.