GILMER COUNTY, GEORGIA

FINANCIAL REPORT

For the Year Ended December 31, 2007

GILMER COUNTY, GEORGIA
TABLE OF CONTENTS
December 31, 2007

	EXHIBIT	PAGE
FINANCIAL SECTION		
INDEPENDENT AUDITOR'S REPORT		2
MANAGEMENT'S DISCUSSION AND ANALYSIS		5
BASIC FINANCIAL STATEMENTS:		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	11
Statement of Activities	A-2	12
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	A-4	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	17
Statement of Fiduciary Net Assets	A-7	18
Notes to Financial Statements		20
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	B	38
Notes to Required Supplementary Information		39
OTHER SUPPLEMENTARY INFORMATION:		
Combining Balance Sheet – Non-major Governmental Funds	C-1	42
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	C-2	43
INTERNAL CONTROL AND COMPLIANCE		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Governmental Auditing Standards*		45
Schedule of Findings and Questioned Costs		47
STATE SECTION		
Schedule of Special Purpose Local Option Sales Tax	D	51
FEDERAL SECTION		
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance In Accordance with OMB Circular A-133		53
Schedule of Expenditures of Federal Awards		55

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GILMER COUNTY, GEORGIA

FINANCIAL SECTION

LAND
& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

142 River Terrace - Ellijay, GA 30540 Phone: 706-276-3700 Fax: 706-276-3710 www.ellijaycpa.com

INDEPENDENT AUDITOR'S REPORT

To the Gilmer County Board of Commissioners
Gilmer County, Georgia

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gilmer County, Georgia, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gilmer County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit, Gilmer County Department of Public Health, which represents 1.11 percent of the assets and 20.0 percent of the revenues of the aggregate discretely presented component units. Those financial statements, as of June 30, 2007, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gilmer 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 other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gilmer County, Georgia as of December 31, 2007, and the respective changes in financial position 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 June 27, 2008 on our consideration of the Gilmer 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 the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 38 through 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gilmer County, Georgia's basic financial statements. The supplementary schedules listed in the table of contents and the Special Local Option Sales Tax Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Gilmer County, Georgia. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ellijay, Georgia
June 27, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

GILMER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

Our discussion and analysis of Gilmer County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2007.

USING THE DECEMBER 31, 2007 AUDIT

The audit of Gilmer County, Georgia for the fiscal year ended December 31, 2007 consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the County as a whole. The Fund financial statements begin on page 14. These statements provide a more detailed view of the governmental activities of the County and explain how these services were financed in the short term as well as what remains for future spending.

Users should take into account that Gilmer County, Georgia changed the reporting year end from March 31 to December 31 in fiscal year 2006. As a result, comparing the prior year financial statements for the fiscal year April 1, 2006 to December 31, 2006 are based on nine months of activities and the statements for the December 31, 2007 fiscal year are based on twelve months of activities.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and Statement of Activities include all the County's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All the fiscal year revenue and expenses are taken into account regardless of when cash is received or paid.

For purposes of implementing GASB 34, Gilmer County is considered a phase II government. The County retroactively added infrastructure, such as roads, rights of way, bridges and other similar type items in the December 31, 2006 financial statements.

REPORTING THE COUNTY'S FUNDS

The Fund Financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law or by bond covenants. The County establishes and maintains many other funds to help control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

THE COUNTY AS A WHOLE

Condensed Statement of Net Assets

Table 1 below presents the County's condensed Statement of Net Assets as of December 31, 2007 as it compares to the previous fiscal year. The County does not maintain any business-type activities therefore, only governmental activities are presented.

Table 1: Condensed Statement of Net Assets

	Governmental Activities Nine Months Ended December 31, 2006	*Governmental Activities FYE December 31, 2007*
Assets		
Current and other Assets	$30,764,000	$50,660,211
Capital Assets	$45,201,215	$60,305,968
Total Assets	**$75,965,215**	**$110,966,179**
Liabilities		
Other Liabilities	$ 3,371,855	$ 3,365,817
Long-Term Liabilities	$23,569,905	$55,007,639
Total Liabilities	$26,941,760	$58,373,456
Net Assets		
Invested in Capital Assets, Net of related debt	$ 22,159,404	$ 7,358,468
Restricted	$ 23,726,661	$42,854,130
Unrestricted	$ 3,137,390	$ 2,380,125
Total Net Assets	$ 49,023,455	$52,592,723
Total Liabilities and Net Assets	**$ 75,965,215**	**$110,966,179**

The County uses its capital assets to provide services to the citizens and businesses in the County, consequently, these net assets are not available for future spending.

Restricted net assets are resources that are restricted in their use. The majority of restricted assets represent funds to construct a new Courthouse and Library, as well as capital projects outlined in the County's General Obligation Bond Capital Improvement Plan.

Condensed Statement of Activities

Table 2 below presents the County's condensed Statement of Activities for the fiscal year ended December 31, 2007 as compared to the previous, nine-month fiscal year. This table also presents only governmental activities of the County.

Table 2: Condensed Statement of Activities

	*Governmental Activities Nine Months Ended * December 31, 2006*	*Governmental Activities FYE December 31, 2007*
Revenues:		
Program Revenues:		
Charges for services	$ 2,514,296	$2,886,881
Operating grants & contributions	$ 161,374	$ 312,921
Capital grants & contributions	$ 427,311	$1,417,385
General Revenues:		
Property taxes	$ 7,520,942	$8,793,923
Other taxes	$ 7,886,296	$9,937,540
Other revenues	$ 1,147,590	$2,562,842
Total Revenues	**$19,657,809**	**$25,911,492**
Expenses:		
General government	$ 2,152,969	$3,542,495
Judicial	$ 1,419,459	$2,099,495
Public safety	$ 6,383,588	$9,073,534
Public works	$ 3,381,710	$3,475,637
Health and welfare	$ 229,116	$ 313,215
Culture and recreation	$ 607,393	$ 883,061
Housing and development	$ 618,810	$ 891,689
Interest on long-term debt	$ 821,221	$2,137,336
Total Expenses	**$15,614,266**	**$22,416,462**
Increase (decrease) in net assets Before gain (loss) and transfers	$ 4,043,543	$ 3,495,030
Beginning net assets	$22,247,846	$49,023,455
Prior Year Adjustment	$22,732,066	$ 74,238
Ending net assets	**$49,023,455**	**$52,592,723**

During the fiscal year ending December 31, 2007 the net assets of Gilmer County's governmental activities increased $3,569,268. Revenues increased 31.8% over the previous fiscal year and expenditures increased 43.56%.

Approximately 34% of the County's revenue came from property taxes, 38% came from other taxes and revenues, and the balance of 28% came from charges for services, grants and other sources.

The County's expenses cover a wide range of services with 40% allotted to public safety, 16% to public works, 16% to general government services, and the remaining 28% to judicial, health and welfare, parks and recreation and other programs.

THE COUNTY'S FUNDS

The governmental funds statements provide information on inflows, outflows and ending fund balance resources available for spending. This information is useful in determining the County's financing requirements. The unreserved, undesignated fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2007, the County's governmental funds reported a combined ending fund balance of $45,658,258, of which $2,408,555 is unreserved fund balance and the remaining amount of $43,251,703 is reserved for specific purposes.

The General Fund – the operating fund of the County – had a net decrease in unreserved fund balance of $1,042,146 due to increased departmental spending.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

At December 31, 2007, Gilmer County reported $60,306,107 in capital assets for governmental activities. Refer to Note 6 to the financial statements for additional information on capital assets.

At December 31, 2007, long-term debt was $55,007,639 compared to $23,569,905 at December 31, 2006. This amount includes repayment of capital lease through the Gilmer County Building Authority for the construction of a new Courthouse and Library, repayment of $30 million General Obligation bond issue for infrastructure and capital improvements, as well as other capital leases for vehicles and equipment.

BUDGETARY COMPARISONS

The County's expenditures exceeded the appropriated amounts. This is the result of unexpected expenditures that were funded with revenues exceeding budgeted amounts.

CONCLUSION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the County's financial condition and to show the County's accountability for the money it receives. If you have questions concerning this report or need additional financial information, please contact Gilmer County Board of Commissioners at 1 Broad Street, Ellijay, Georgia 30540.

Separately issued financial statements may be obtained for the Gilmer County Department of Public Health which is shown as a component unit of Gilmer County at the following address:

Georgia Department of Human Resources
Northwest Health District
111 Bryant Crossing, Suite AA
Dalton, Georgia 30720

Separately issued financial statements may be obtained for the Ellijay-Gilmer County Water and Sewerage Authority, which is shown as a component unit of Gilmer County at the following address:

Ellijay – Gilmer County Water and Sewerage Authority
1023 Progress Road
Ellijay, Georgia 30540

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A-1

GILMER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government	Component Units			
	Governmental Activities	Gilmer County Department of Public Health	Gilmer County Building Authority	Ellijay-Gilmer County Water and Sewerage Authority	Industrial Development Authority
Assets					
Current assets:					
Cash	$ 1,939,749	$ 398,088	$ -	$ 3,695,217	$ 13,912
Restricted cash	36,005,089	-	-	2,343,063	-
Restricted certificates of deposits	-	-	-	237,716	
Taxes receivable	4,028,462	-	-	-	-
Accounts receivable	192,512	2,615	-	609,440	-
Due from other governments	1,388,963	1,676	21,314,958	-	-
Inventories	-	3,360	-	318,771	-
Prepaid expenses	367,740	-	-	80,155	-
Total Current Assets	43,922,515	405,739	21,314,958	7,284,362	13,912
Non-Current Assets:					
Other assets	1,232,209	-	-	225,656	-
Investments	5,505,487	169,507	-	-	-
Capital Assets:					
Nondepreciable capital assets	13,202,601	-	-	1,695,573	-
Depreciable capital assets, net	47,103,367	-	-	20,314,796	-
Total Capital Assets	60,305,968	-	-	22,010,369	-
Total Non-Current Assets	67,043,664	169,507	-	22,236,025	-
Total Assets	$ 110,966,179	$ 575,246	$ 21,314,958	$ 29,520,387	$ 13,912
Liabilities and Net Assets					
Accounts payable and accrued expenses	$ 3,308,387	$ 12,070	$ -	$ 418,350	$ -
Due to other governments	-	7,500	-	-	-
Deferred revenues	57,430	-	-	-	-
Long-term liabilities:					
Unamortized bond premium, net	1,860,262	-	-	-	-
Due within one year:					
Bonds, capital leases and contracts	1,929,699	-	660,000	1,292,677	-
Accrued interest	613,203	-	539,958	76,110	-
Due in more than one year:					
Bonds, capital leases and contracts	50,404,598	-	20,095,000	4,145,290	-
Compensated absences	199,877	33,044	-	-	-
Total Liabilities	58,373,456	52,614	21,314,958	5,932,427	-
Net Assets:					
Invested in capital assets, net of related debt	7,358,468	-	-	16,572,402	-
Restricted for:					
Capital projects	41,510,576	-	-	2,343,063	-
Debt service	1,343,554	-	-	237,716	-
Other purposes	-	196,794	-	-	-
Unrestricted	2,380,125	325,838	-	4,434,779	13,912
Total Net Assets	52,592,723	522,632	-	23,587,960	13,912
Total Liabilities and Net Assets	$ 110,966,179	$ 575,246	$ 21,314,958	$ 29,520,387	$ 13,912

The notes to financial statements are an integral part of this statement.

GILMER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

EXHIBIT A-2

Functions / Programs:	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Component Units: Gilmer County Department of Public Health	Component Units: Gilmer County Building Authority	Component Units: Ellijay-Gilmer County Water and Sewerage Authority	Component Units: Industrial Development Authority
Primary government:									
Governmental activities:									
General government	$ 3,542,495	$ 6,253	$ 181,241	$ -	$ (3,355,001)				
Judicial	2,099,495	874,779	-	22,678	(1,202,038)				
Public safety	9,073,534	1,063,548	91,593	-	(7,918,393)				
Public works	3,475,637	193,635	-	1,297,182	(1,984,820)				
Health and welfare	313,215	80,421	40,087	-	(192,707)				
Culture and recreation	883,061	203,094	-	-	(679,967)				
Housing and development	891,669	465,151	-	97,525	(329,013)				
Interest on long-term debt	2,137,336	-	-	-	(2,137,336)				
Total governmental activities	22,416,462	2,886,881	312,921	1,417,385	(17,799,275)				
Total primary government	$ 22,416,462	$ 2,886,881	$ 312,921	$ 1,417,385	(17,799,275)				
Component Units:									
Department of Public Health	$ 808,893	$ 426,274	$ 373,899	$ -		$ (8,720)	$ -	$ -	$ -
Ellijay-Gilmer County Water and Sewerage Authority	4,379,104	5,406,067	-	-		-	-	1,028,963	-
Industrial Development Authority	1,817	-	-	-		-	-	-	(1,817)
Total component units	$ 5,189,814	$ 5,834,341	$ 373,899	$ -		(8,720)	-	1,028,963	(1,817)
General revenues:									
Taxes:									
Property taxes, levied for general purposes					8,793,923	-	-	-	-
Insurance premium and other taxes					1,133,265	-	-	-	-
Sales tax					8,804,275	-	-	-	-
Unrestricted investment earnings					2,238,153	-	-	111,504	-
Miscellaneous					324,689	-	-	-	-
Capital asset contributions from private developers					-	-	-	14,900	-
Total general revenues, special items, and transfers					21,294,305	-	-	126,404	-
Change in net assets					3,495,030	(8,720)	-	1,155,367	(1,817)
Net assets, beginning of year					49,023,455	531,352	-	22,432,593	15,729
Prior period adjustments					74,238	-	-	-	-
Net assets, end of year					$ 52,592,723	$ 522,632	$ -	$ 23,587,960	$ 13,912

The notes to financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GILMER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

EXHIBIT A-3

	General Fund	SPLOST 2003	SPLOST 2001	Debt Service	Non-major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 1,939,749	$ -	$ -	$ -	$ -	$ 1,939,749
Restricted cash	-	4,724,735	3,126,600	28,012,831	140,924	36,005,090
Investments	-	5,505,487	-	-	-	5,505,487
Taxes receivable, net	2,844,220	-	-	-	-	2,844,220
Due from other governments	592,625	589,839	215,011	-	-	1,397,475
Due from other funds	(1,848,493)	(19,249)	1,558,224	319,999	(10,481)	-
Other receivables	1,074,855	-	-	-	293,386	1,368,241
Prepaid expenses	367,741	-	-	-	-	367,741
Total Assets	$ 4,970,697	$ 10,800,812	$ 4,899,835	$ 28,332,830	$ 423,829	$ 49,428,003
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 385,915	$ 816,521	$ 2,225	$ 126,934	$ 56,034	$ 1,387,629
Intergovernmental payable	-	-	-		26,439	26,439
Deferred revenue	1,073,403	-	-		18,775	1,092,178
Other payables	1,102,824	100,000	-	10,251	50,424	1,263,499
Total Liabilities	2,562,142	916,521	2,225	137,185	151,672	3,769,745
Fund Balances:						
Reserved for:						
Capital projects	-	9,884,291	4,897,610	28,195,645	-	42,977,546
Other purposes	-	-	-	-	272,157	272,157
Unreserved	2,408,555	-	-	-	-	2,408,555
Total Fund Balances	2,408,555	9,884,291	4,897,610	28,195,645	272,157	45,658,258
Total Liabilities and Fund Balances	$ 4,970,697	$ 10,800,812	$ 4,899,835	$ 28,332,830	$ 423,829	$ 49,428,003

The notes to financial statements are an integral part of this statement.

GILMER COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
December 31, 2007

EXHIBIT A-4

Total fund balances, governmental funds	$	45,658,258
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets (Capital assets of $71,945,944 less accumulated depreciation $11,639,837).		60,306,107
Bond issuance costs/premiums are not current financial resources/sacrifices and therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets (Unamortized bond issuance cost and premium are $1,232,209 and $1,860,401, respectively).		(628,192)
Some liabilities, (such as notes payable, capital lease contracts payable, accrued interest payable, long-term compensated absences, postclosure care costs, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets (Principal repayments due on long-term debt of $53,014,297, accrued interest payable of $613,203 accrued compensated absences of $199,877 and postclosure care costs of $630,820).		(53,778,197)
Property taxes receivable levied for the current and prior years and not collected within sixty days of year-end are not available soon enough to pay for the current period's expenditures, and, therefore, are reported as deferred revenue in the funds (Deferred property tax revenues of $1,034,747).		1,034,747
Net Assets of Governmental Activities in the Statement of Net Assets	$	52,592,723

The notes to financial statements are an integral part of this statement.

GILMER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

EXHIBIT A-5

	General Fund	SPLOST 2003	SPLOST 2001	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 13,590,183	$ 3,619,310	$ 1,338,649	$ -	$ 152,511	$ 18,700,653
Licenses and permits	468,781	-	-	-	-	468,781
Intergovernmental	719,032	-	-	-	865,051	1,584,083
Charges for services	1,192,917	-	-	-	393,900	1,586,817
Fines and forfeitures	917,679	-	-	-	-	917,679
Interest income	119,301	741,666	131,589	1,230,235	15,362	2,238,153
Miscellaneous	236,744	-	-	-	1,550	238,294
Total Revenues	17,244,637	4,360,976	1,470,238	1,230,235	1,428,374	25,734,460
Expenditures:						
Current:						
General government	2,929,068	22,384	-	-	-	2,951,452
Judicial	2,092,962	-	-	-	-	2,092,962
Public safety	8,028,933	-	-	-	393,909	8,422,842
Public works	2,182,839	659,261	2,226	52,545	-	2,896,871
Health and welfare	297,195	-	-	-	-	297,195
Culture and recreation	762,348	-	-	-	13,882	776,230
Housing and development	750,333	-	-	-	106,722	857,055
Debt service:						
Principal	488,127	660,000	-	-	-	1,148,127
Interest and other charges	125,938	963,910	-	1,516,847	-	2,606,695
Capital outlay	1,276,997	11,643,285	666,824	2,689,055	753,999	17,030,160
Total Expenditures	18,934,740	13,948,840	669,050	4,258,447	1,268,512	39,079,589
Excess (deficiency) of revenues over expenditures	(1,690,103)	(9,587,864)	801,188	(3,028,212)	159,862	(13,345,129)
Other Financing Sources (Uses):						
Contributions from private sources	6,000	-	-	-	-	6,000
Proceeds from debt issuance	-	-	-	30,000,000	-	30,000,000
Premium from debt issuance	-	-	-	1,223,857	-	1,223,857
Proceeds from capital leases	596,168	-	-	-	-	596,168
Proceeds from disposal of capital assets	-	-	-	-	-	-
Transfers in	45,789	-	-	-	-	45,789
Transfers out	-	-	-	-	(45,789)	(45,789)
Total other financing sources and uses	647,957	-	-	31,223,857	(45,789)	31,826,025
Net change in fund balances	(1,042,146)	(9,587,864)	801,188	28,195,645	114,073	18,480,896
Fund balances, beginning of year	3,450,701	19,472,155	4,096,422	-	158,084	27,177,362
Prior period adjustments	-	-	-	-	-	-
Fund balances, end of year	$ 2,408,555	$ 9,884,291	$ 4,897,610	$ 28,195,645	$ 272,157	$ 45,658,258

The notes to financial statements are an integral part of this statement.

GILMER COUNTY, GEORGIA EXHIBIT A-6

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, 2006

Net change in fund balances - total governmental funds:	$	18,480,896
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays of $17,030,160 exceeded depreciation of $1,925,268 in the current period.		15,104,892
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		172,620
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of repayments (Proceeds from the issuance of debt of $31,102,965 less repayments of $1,148,127).		(29,954,838)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Bond issuance costs		(64,121)
Post-closure costs		21,672
Accrued interest payable		(248,212)
Accrued compensated absences		(17,879)
Change in net assets of governmental activities	$	3,495,030

The notes to financial statements are an integral part of this statement.

GILMER COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
Decemer 31, 2006

EXHIBIT A-7

	Agency Funds
Assets	
Cash and cash equivalents	$ 8,723,920
Restricted cash	1,276,664
Total Assets	$ 10,000,584
Liabilities	
Due to others	$ 10,000,584
Total Liabilities	$ 10,000,584

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Gilmer County, Georgia conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local government through its pronouncements. The Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies established in GAAP and used by the County are described below.

A. THE REPORTING ENTITY

In evaluating how to define the County's reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP under Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity." The financial statements of component units have been included either as blended or discretely presented component units. Blended component units, although legally separate entities are in substance, part of the County's operations and so financial data from these units are combined with the financial data of the primary government. The basic, but not the only, criteria for including a potential component unit within the reporting entity, is financial accountability. Financial accountability is defined as an appointment of a voting majority of the component unit's board and either the ability to impose will by the primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The Gilmer County Finance Corporation is considered a component unit of the County and is shown as blended with the primary government. Agencies included as departments in the General Fund are not considered controlled by the County. Therefore, expenditure amounts represent only County contributions to those entities or amounts that the County is receiving as reimbursements. Revenues from the offices of other elected officials are included in the General Fund. The Gilmer County Tax Commissioner disburses a portion of taxes collected to the Gilmer County Board of Education and the State of Georgia. However, these entities are not considered controlled by the County and are excluded from the entity. The Development Authority is considered a related organization.

Each discretely presented component unit is reported in a separate column in the combined financial statements. The Gilmer County Health Department, Gilmer County Industrial Development Authority, Ellijay-Gilmer County Water and Sewerage Authority, and Gilmer County Building Authority are shown as discretely presented component units. Discretely presented component units are shown in a separate column on the combined financial statements to emphasize legal separation from the County.

The Gilmer County Health Department provides health related services to the citizens of Gilmer County. The County provides monthly supplements and pays a portion of operating costs directly. Complete financial statements for the year ended June 30, 2007 of the individual component unit can be obtained directly from their administrative office. The address for this administrative office is as follows:

Georgia Department of Health Resources
Northwest Health District
111 Bryant Crossing, Suite AA
Dalton, Georgia 30720

The Gilmer County Industrial Development Authority acts as a catalyst in the development and promotion of trade, commerce, industry, and employment opportunities within Gilmer County. Information included herein has been complied from the records of the Authority. Complete financial statements are not available.

Ellijay-Gilmer County Water and Sewerage Authority operates a county-wide water and sewer system. The "Water Authority's" board consists of five members with three being appointed by the County. Since the

County has a majority of appointments, the Water Authority is reported as a discretely presented component unit of the County. The Water Authority is reported on a June 30, 2007 fiscal year. Complete financial statements may be obtained from its administrative office by calling 706-276-2202.

Gilmer County Building Authority was established on May 6, 2005 by H.B. 754 being signed into law. The Authority is authorized to acquire, construct, equip, maintain, and operate certain projects, including buildings and facilities for use by Gilmer County for its governmental, proprietary, and administrative functions; and for other purposes. Separate financial statements are not available as of December 31, 2007.

There are several other related organizations for which the County appoints one or more of the Board of Directors, but the organizations do not meet any other of the reporting entity criteria. They are as follows:

Airport Advisory Board
Department of Family and Children Services
Highland Rivers Community Service Board
Public Library Board of Trustees
North Georgia Regional Development Center Board

B. BASIS OF PRESENTATION

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

GOVERNMENT-WIDE STATEMENTS

Government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the reporting government as a whole, except for its fiduciary activities. Governmental activities are supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs and functions using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the County.

FUND FINANCIAL STATEMENTS

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

Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

The County uses funds to maintain its financial records during the year. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GOVERNMENTAL FUNDS

Governmental funds are those which most governmental functions typically finance. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Fund liabilities are assigned to the fund from which they will be liquidated.

The County reports the following major governmental funds:

General Fund – The General Fund accounts for all financial resources except those required to be accounted for in another fund.

SPLOST 2003 Fund – This fund accounts for the special purpose sales tax revenues which are collected for the purpose of capital projects.

SPLOST 2001 Fund – This fund accounts for the special purpose sales tax revenues which are collected for the purpose of capital projects.

Additionally the County reports the following governmental fund types:

Special Revenue Fund Types - Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted to expenditures for specified purposes. The County's E911 Fund, Hotel/Motel Tax Fund, Confiscated Assets Fund, and Multiple Grant Fund are accounted for as Special Revenue Funds.

Capital Projects Fund Types – Capital Projects Funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. The County's SPLOST 2001 and SPLOST 2003 funds are accounted for as Capital Projects Funds.

GASB 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and used to account for capital assets and long-term liabilities that are not reflected on the balance sheet of governmental type funds due to the current financial resources measurement focus that they use.

Governmental fund activities have been consolidated in the government-wide financial statements. Total governmental funds have been combined with general fixed assets and long-term liabilities. The effect of inter-fund activity has been removed from the government-wide financial statements. Due to/from other funds have been eliminated and operating transfers between funds have also been eliminated.

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, including special assessments, if applicable. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets. The County's fiduciary funds are Agency Funds. The Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. Constitutional officers use these funds to temporarily hold assets. Revenues and expenditures collected by the Tax Commissioner, Clerk of Superior Court, Judge of Probate Court, Sheriff's Department,

and Magistrate Court are accounted for in the General Fund to which the net revenues collected are transferred.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

D. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Revenues – Non-exchange Transactions – Non-exchange transactions include transactions in which the County receives value without directly giving equal value in return, include sales tax, property taxes, grants, and donations. On the accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis,

revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

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

E. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents include amounts in both interest-bearing and noninterest-bearing demand deposits as well as short-term investments with a maturity date within three months of the date purchased.

Statutes authorize the County to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of other counties, municipal corporations and political subdivisions of the State of Georgia which are rated "AA" or better by Moody's Investors Service, Inc., negotiable certificates of deposit issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, repurchase agreements when collateralized by U. S. Government or agency obligations, and pooled investment programs sponsored by the State of Georgia for the investment of local government funds.

F. PROPERTY TAXES AND OTHER RECEIVABLES

All trade and property tax receivables are reported net of an allowance for uncollectible amounts.

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. Interest and late penalties are added on the delinquent date. The total current levy for the 2007 property tax bills was $22,753,793. The property tax calendar for the 2007 digest is as follows:

Levy Date	September 30, 2007
Due Date	December 31, 2007
Delinquent Date	January 1, 2008
Finance Charges Date	January 31, 2008
Lien Date	May 1, 2008

G. INVENTORIES

Inventories, consisting of expendable supplies not held for resale are valued at cost using the first-in/first-out (FIFO) method. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed. Inventories of the proprietary funds are expensed when consumed.

H. PREPAID EXPENDITURES/EXPENSES

Expenditures for insurance and similar services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the period in which the items are consumed. At the fund reporting level, an equal amount of fund balance is reserved as this amount is not available for general appropriation.

I. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand and an estimated useful life in excess of two years. The County's infrastructure consists of roads, bridges, sidewalks, and similar items. Improvements to capital assets are capitalized. The County has reported infrastructure acquired prior to the fiscal year ended after June 30, 1980. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Improvements other than buildings	20 years	20 years
Buildings	50 years	50 years
Machinery and equipment	3 - 20 years	3 - 20 years
Infrastructure	30 years	30 years
Vehicles	2 - 15 years	2 - 15 years

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

J. COMPENSATED ABSENCES

The County offers full-time employees vacation and sick leave as compensated absences. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," the vacation pay is accrued and only the portion of the sick pay that is expected to be paid will be accrued. On the government-wide statements vacation and the portion of sick pay that is expected to be paid are accrued and reported as a liability for the governmental activities.

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund

financial statements only to the extent that they are "due for payment" during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

L. BOND PREMIUMS, DISCOUNTS, AND ISSUANCE COSTS

On the government-wide statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At the governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

M. FUND EQUITY

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

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates the portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS

Custodial risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. As of December 31, 2007, the government's bank balance was fully collateralized or insured.

3. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

A. Balances Due To / From Other Funds

Interfund receivables and payables consist of the following at December 31, 2007:

	Due to:			
Fund	General Fund	SPLOST 2001	Non-major Governmental	Total
Due From Balance:				
General Fund	$ -	$ 1,561,224	$ 343,203	$ 1,904,427
SPLOST 2003	19,249	-	-	19,249
Non-major Governmental	24,324	-	-	24,324
SPLOST 2001	3,000	-	-	3,000
Total	$ 46,573	$ 1,561,224	$ 343,203	$ 1,951,000

Amounts due to the SPLOST 2001 and the Non-major Governmental funds are for expenditures paid on behalf of General Fund for general purposes. Amounts due to the General Fund are primarily for reimbursements for operating purposes.

B. Transfers To / From Other Funds

	Transfers In:	
Fund	General Fund	Total
Transfers out:		
Non-major Governmental	$ 45,789	$ 45,789
Total	$ 45,789	$ 45,789

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, maintaining debt service on a routine basis, or in accordance with budgetary authorizations.

4. DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables are considered fully collectible and are stated at gross amounts receivable. A summary of the amounts due is as follows:

General Fund:	
Georgia Department of Revenue - LOST	$ 581,101
Environmental Protection Division	11,524
Mountain Area Transportation System (MATS)	-
	592,625
SPLOST 2003 Fund:	
Georgia Department of Revenue	589,893
	589,893
SPLOST 2001 Fund:	
Georgia Department of Revenue	215,011
	215,011
Multiple Grant Fund:	
Grants Receivable	192,512
Grants Receivable	28,872
	221,384
Total Due from Other Governments	$ 1,618,913

5. RESTRICTED ASSETS

Cash balances in the following funds are restricted for the following uses:

Major Funds:	
SPLOST 2003 Fund:	
Roads and other projects	$ 3,939,054
Bond Payment	785,681
SPLOST 2001 Fund:	
Roads and other projects	3,126,600
Debt Service	1,343,554
Multiple Grant	43,354
Multiple Grant	4,594
GO Bond Construction Fund	26,669,277
Non-Major Funds:	
Special Revenue Funds:	
Emergency services	92,976
	$ 36,005,090

6. CAPITAL ASSETS

Capital asset activity for the twelve months ended December 31, 2007 is as follows:

	Balance 12/31/2006	Reclass-ifications	Adjusted Balances	Additions	Deductions	Balance 12/31/07
Governmental activities:						
Capital assets not being depreciated:						
Land	$ 11,428,373	$ -	$ 11,428,373	$722,825	$ -	$ 12,151,198
Construction in progress	9,424,557	(9,343,777)	80,780	970,623	-	1,051,403
Total capital assets not being Depreciated	20,852,930	(9,343,777)	11,509,153	1,693,448	-	13,202,601
Capital assets being depreciated:						
Infrastructure	14,660,250	922,354	15,582,604	2,769,057	-	18,351,661
Buildings and Improvements	9,078,991	8,421,423	17,500,414	7,884,623	-	25,385,037
Land Improvements	1,573,774		1,573,774	82,004	-	1,655,778
Machinery, equipment, and vehicles	8,749,839	-	8,749,839	4,600,750	-	13,350,589
Total capital assets being depreciated	34,062,854	9,343,777	43,406,631	15,336,434	-	58,743,065
Accumulated depreciation:						
Infrastructure	740,641		740,641	427,615	-	1,168,256
Buildings and Improvements	2,884,192		2,884,192	397,184	-	3,281,376
Land Improvements	511,419		511,419	49,180	-	560,599
Machinery, equipment, and vehicles	5,578,178	-	5,578,178	1,051,289	-	6,629,467
Total accumulated depreciation	9,714,430	-	9,714,430	1,925,268	-	11,639,698
Total capital assets being depreciated, net	24,348,424	9,343,777	33,692,201	13,411,166	-	47,103,645
Governmental activities capital assets, net	$ 45,201,354	$ -	$ 45,201,354	$ 15,104,614	$ -	$ 60,305,968

Depreciation expense was charged to functions/programs of governmental activities as follows:

General government	$ 486,107
Judicial	6,533
Public safety	676,268
Public works	598,875
Health and welfare	16,020
Culture and recreation	106,831
Housing and Development	34,634
Total government activities depreciation expense	$ 1,925,268

	Balance 6/30/06	Additions	Deductions	Balance 6/30/07
Component Unit – Ellijay-Gilmer County Water & Sewerage Authority:				
Capital assets not being depreciated:				
Land	$ 192,051	$ 77,736	$ 1,000	$ 268,787
Construction in progress	292,865	1,314,444	180,523	1,426,786
Total capital assets not being depreciated	484,916	1,392,180	181,523	1,695,573
Capital assets being depreciated:				
Infrastructure	24,980,081	67,485	(420,849)	25,468,415
Buildings and Improvements	445,498	0	0	445,498
Land Improvements	48,154	3,921	0	52,075
Machinery, equipment, and vehicles	1,662,693	149,219	264,603	1,547,309
Total capital assets being depreciated	27,136,426	220,625	(156,246)	27,513,297
Accumulated depreciation:				
Infrastructure	5,738,708	763,360	332,704	6,169,364
Buildings and Improvements	47,780	10,975	0	58,755
Land Improvements	4,174	3,276	0	7,450
Machinery, equipment, and vehicles	932,413	197,709	167,189	962,933
Total accumulated depreciation	6,723,075	975,320	499,893	7,198,501
Total capital assets being depreciated, net	20,413,351	56,245	154,801	20,314,796
Governmental activities capital assets, net	$20,898,267	$ 1,846,563	$ 734,460	$ 22,010,370

7. LONG-TERM DEBT – PRIMARY GOVERNMENT

CAPITAL LEASES

The County has entered into capital leases for various equipment. These leases meet the criteria of a capital lease because they transfer benefits and risks of ownership to the lessee at the end of the lease term. The equipment acquired by the leases is included in governmental activities capital assets in the amount of $22,829,860 (cost of $24,108,375 less accumulated depreciation of $1,278,515). The following is a summary of capital leases payable at December 31, 2007:

Governmental activities:

Municipal Leasing Credit Corporation, two fire trucks, payable on an annually renewable basis of $62,719, including interest at 3.81% for a maximum lease term of ten years. The original balance was $504,604 and it matures in November 2014. The lease is secured by the vehicles.	$	377,801
Municipal Leasing Credit Corporation, Chevrolet Tahoe, payable on an annually renewable basis of $9,126 for a maximum lease term of four years, including interest at 4.75%. Original balance $32,550. The lease matures in February 2009 and is secured by the vehicle.		17,029
Gilmer County Building Authority, courthouse and library, payable annually renewable basis of varying amounts beginning at $1,300,000 on March 15, 2005. Interest is payable annually at a varying rate from 3.5% to 5.125%. Original balance was $21,974,958, and it matures April 2030. Lease is secured by real estate and bank deposits.		20,775,000
Old National Bank, two tractors and mowers, payable, on an annually renewable basis, annually $21,894 including interest at 5.071%. Original balance was $99,401 and it matures in December 2009. Lease is secured by the equipment.		40,669
Old National Bank, seven trucks, payable, on an annually renewable basis, annually $68,243 including interest at 4.77%. Original balance was $195,550 and it matures in March 2008. Lease is secured by the vehicles.		65,136
Old National Bank, two fire trucks, payable, on an annually renewable basis, annually $33,887 including interest at 4.89%. Original balance was $276,264 and it matures in March 2015. Lease is secured by the equipment.		220,268
Old National Bank, computer system and software, payable, on an annually renewable basis, annually $16,063 including interest at 5.069%. Original balance was $59,750 and it matures in February 2009. Lease is secured by the equipment		29,839
Municipal Leasing Credit Corporation, road tractor, payable, on an annually renewable basis, annually $11,607 including interest at 19.24%. Original balance was $93,743 and it matures in May 2015. Lease is secured by the equipment.		146,033
Municipal Leasing Credit Corporation, New 2008 Ambulance, payable on a renewal basis, annually $23,832 including interest at 5.05%. Original balance was $104,658 and matures April 2012. Lease is secured by vehicle.		104,658

Municipal Leasing Credit Corporation, 3 Trail Blazers (Detention Cntr), E-911 Trail Blazer and 1 Ford Van, Animal Ctrl 2 F150 P/U's, Courthouse Mtc F 150 truck, Tax Commissioner Ford Explorer 4WD, Sheriff 7 Ford Crown Victoria, Park and Rec Mowers and Equipment, payable on a renewal basis, annually $162,572 including interest. Original balance was $491,510 and matures April 2010.	328,938
Municipal Leasing Credit Corporation, three Ford Escapes, payable, on an annually renewable basis, annually $16,432 including interest at 4.44%. Original balance was $47,106 and it matures in September 2008. Lease is secured by the vehicles.	15,745
Municipal Leasing Credit Corporation, ambulance, payable, on an annually renewable basis, annually $21,490 including interest at 8.62%. Original balance was $98,190 and it matures in September 2010. Lease is secured by the equipment.	59,047
	$22,180,163

Future minimum lease payments for governmental activities are as follows:

	Principal	Interest	Total
2008	$ 1,103,201	$ 1,015,786	$ 2,118,987
2009	1,061,896	1,009,830	2,071,726
2010	736,761	963,839	1,700,600
2011	716,084	933,307	1,649,391
2012-2016	3,759,499	5,007,627	8,767,126
2017-2021	4,195,000	3,269,913	7,464,913
2022-2026	5,315,000	2,154,875	7,469,875
2027-2031	5,287,278	1,369,200	6,656,478
	$ 22,180,163	$ 15,724,377	$ 37,899,096

GENERAL OBLIGATION BONDS

The following is a summary of the outstanding long-term bond issues at December 31, 2007:

Year Issued / Purpose	Interest Rate (%)	Interest Due	Issue Date	Maturity Date	Authorized and Issued	Retired	Outstanding
2007/Courthouse Expansion	5.00%	4/1,10/1	3/27/2007	4/1/2032	$ 30,000,000	$ -	$ 30,000,000
							$ 30,000,000

On March 27, 2007, the County issued general obligation bonds of $30,000,000 to finance the expansion of the courthouse. Bond issue costs totaling $717,092 are being amortized over three hundred months. Amortization expense for 2007 totaled $25,983.

Annual debt service requirements to amortize bonds outstanding, as of December 31, 2007 are as follows:

Year	Principal	Interest	Total
2008	$ -	$ 1,370,150	$ 1,370,150
2009	-	1,370,150	1,370,150
2010	790,000	1,354,350	2,144,350
2011	820,000	1,322,150	2,142,150
2012	850,000	1,288,750	2,138,750
2013-2017	4,815,000	5,816,450	10,631,450
2018-2022	5,960,000	4,486,750	10,446,750
2023-2027	7,435,000	3,048,988	10,483,987
2028-2032	9,330,000	1,201,312	10,531,312
	$ 30,000,000	$ 21,259,050	$ 51,259,050

Changes in Long Term Debt

Changes in long-term obligations consisted of the following for the year ended December 31, 2007:

Governmental activities:	Balance 12/31/2006	Additions	Deductions	Balance 12/31/07	Amounts Due In One Year
Capital leases	$22,769,213	$ 595,538	$ 1,030,454	$ 22,334,297	$ 459,699
Compensated absences	181,998	199,876	181,998	199,876	199,876
Landfill costs	652,452	-	21,632	630,820	28,896
General obligation bonds	-	30,000,000	-	30,000,000	-
Total governmental activities	$23,603,663	$30,795,414	$ 1,234,084	$ 53,164,993	$ 688,471

All long term obligations of the County's governmental funds will be financed through future expendable available financial resources as they become due.

The compensated absences liability will be paid from the fund which the employee wages are paid, which is primarily the General Fund. The General Fund has been primarily responsible for liquidating the liability in prior years, when applicable. Landfill costs liability will be paid from the General Fund.

8. LONG TERM DEBT – COMPONENT UNIT

REVENUE BONDS

The following is a summary of the outstanding long-term bond issues at December 31, 2007:

Year Issued / Purpose	Interest Rate (%)	Interest Due	Issue Date	Maturity Date	Authorized and Issued	Retired	Outstanding
2005/Courthouse/library	3.5/5.1%	4/1,10/1	10/12/2005	11/1/2030	$ 21,435,000	$660,000	$ 20,775,000
							$ 20,775,000

On October 12, 2005, the Building Authority issued revenue bonds of $21,435,000 to finance the construction of the courthouse and library. Bond issue costs totaling $595,132 are being amortized over two hundred eighty eight months. Amortization expense for 2007 totaled $24,797.

Annual debt service requirements to amortize bonds outstanding, as of December 31, 2007 are as follows:

Year	Principal	Interest	Total
2008	$ 680,000	$ 953,550	$ 1,633,550
2009	705,000	931,450	1,636,450
2010	585,000	907,656	1,492,656
2011	605,000	887,181	1,492,181
2012	630,000	865,250	1,495,250
2013-2017	3,545,000	3,924,673	7,146,673
2018-2022	4,380,000	3,078,275	7,458,275
2023-2027	5,580,000	1,889,125	7,469,125
2028-2030	4,065,000	418,325	4,478,325
	$ 20,775,000	$ 13,855,485	$34,625,485

Changes in Long Term Debt

Changes in long-term obligations consisted of the following for the year ended December 31, 2007:

Component Unit:	Balance 12/31/2006	Additions	Deductions	Balance 12/31/07	Amounts Due In One Year
Revenue bonds	$21,435,000	$ -	$ 660,000	$ 20,775,000	$ 680,000
Total component unit	$21,435,000	$ -	$ 660,000	$ 20,775,000	$ 680,000

All long term obligations of the Building Authority will be financed through future expendable available financial resources as they become due.

9. RESERVED FUND BALANCES

Major fund reservations are disclosed on the face of the statements. The non-major funds have reserved fund balances for the following purposes:

Capital projects	$ 140,471
E 911	128,686
Total reserved	$ 272,157

9. PRIOR PERIOD ADJUSTMENTS

Government-Wide Fund Balance:

Governmental Activities:

Net effect for prior year unrecorded bond issuance cost and related premium.	$74,238
	$74,238

10. CONTINGENT LIABILITIES AND LITIGATION

The County generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. The County is a party to various legal proceedings, which normally occur, in governmental operations. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the County to meet its financial obligations.

On April 27, 2006, the County entered into an Intergovernmental Contract with the Ellijay-Gilmer Water and Sewerage Authority to pay required debt service payments for the Authority's *Revenue Refunding Bonds, Series 2006* should the Authority's Debt Service Account have insufficient funds to make the required payments. The Series 2006 bonds proceeds provide funding to redeem the Series 1994 bonds and when redeemed the 1994 Intergovernmental Agreement will terminate.

The following table is the schedule of payments for which the County is contingently liable:

Year	Payments
2008	$ 279,910
2009	277,690
2010	275,134
2011	277,183
2012	278,729
2013-2017	1,007,695
2018-2022	470,053
2023-2024	188,325
	$3,054,719

11. LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for five years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as a current operating expenditure in each period based on landfill capacity used as of each balance sheet date.

As of December 31, 2007, the County has recorded a liability of $630,820, which is recognized in the government-wide financial statements. The landfill, which is closed, reached capacity in prior years.

These amounts are based on what it would cost to perform all closure and post-closure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

12. RETIREMENT BENEFITS

Defined Contribution Pension Plans –

Plan Description: Gilmer County sponsors two Section 457 deferred compensation plans. These plans are named collectively as the Gilmer County Board of Commissioners Retirement Plan (the Plan) and are defined contribution pension plans. The plans are administered by the Hartford Life Insurance Company and AIG – Valic. Changes to plan benefits or contribution levels may be requested by the County but must be approved by the respective administrator. The plans cover all employees upon date of hire. Employees may defer up to the Section 502(g) limit and are 100% vested in such deferral amounts. The County provides a Section 401(a) match of 25% of the employee deferral up to 5% of compensation. Employees are 100% vested in the employer match, also. For the year ending December 31, 2007, covered compensation was $4,230,328, employee deferrals were $179,763 and the County's matching contribution was $35,971.

The County does not meet the criteria in GASB 32 to report the Section 457 Plans; therefore, the Plans are not reported in these financial statements.

13. JOINT VENTURES

The County, in conjunction with cities and counties in the five county Northeast Georgia area are members of the North Georgia Regional Development Center (RDC). Membership in an RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The county board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the county or municipality) to serve as the non-public Board member from a county.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDC as "public agencies and instrumentality's of their members." Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources, (O.C.G.A. 50-8-31.9). Complete financial statements can be obtained at the following address:

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

Gilmer County also entered into an agreement creating a multijurisdictional drug task force known as the Zell Miller Mountain Parkway Drug Task Force (ZMPDTF). This task force was established to cover the counties of Fannin, Gilmer, and Pickens. The Board of Directors include the District Attorney, the Sheriff of the three counties and a Georgia State Trooper. Financial information can be obtained by contacting the Pickens County Sheriff's Office.

14. RISK MANAGEMENT

Gilmer County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There were no significant reductions of insurance coverage compared to the prior year. Settled claims have not exceeded the commercial excess coverage in any of the past three fiscal years.

Risk Pools

The County joined the Georgia Interlock Risk Management Agency (GIRMA). The County management, based on anticipated needs, selects insurance coverage and deductible options for property, casualty and crime under the policy. The County is required to pay all premiums, applicable deductibles and assessments billed by GIRMA, as well as following loss reductions and prevention procedures established by GIRMA. GIRMA's responsibility includes paying claims, and representing the County in defense and settlement of claims. GIRMA's basis for estimating the liabilities for unpaid claims in "IBNR" is established by an actuary. The County has not completed a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The County is unaware of any claims that the County is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2007. No provisions have been made in the financial statements for the twelve months ended December 31, 2007 or any estimate of potential unpaid claims.

The County participates in the Association County Commissioners of Georgia (ACCG) Group Self Insurance Workers' Compensation Fund, a self-insured pool cooperative arrangement among its members to finance workers' compensation coverage. The fund is owned by its members and is managed by a seven member Board of Trustees who are representatives from participating counties. The ACCG-GSIWCF operates under the authority of O.C.G.A. 34-9-150 et seq. and the Georgia Insurance Commissioner's Office management. The County is required to pay all premiums, applicable deductibles and assessments billed by ACCG, as well as following loss reduction and prevention procedures established by ACCG. ACCG's responsibility includes paying claims, and representing the County in defense and settlement of claims. ACCG's basis for establishing the liabilities for unpaid claims is established by an actuary. The County has not compiled a record of the claims paid up to the applicable deductible for the prior year or the current fiscal year. The County has estimated a liability of $- for claims which the County is liable (up to the applicable deductible) which were outstanding and unpaid at December 31, 2007. The County also pays unemployment claims to the state department of labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued. The following is a summary of the claims activity for the ACCG:

	Year Ending 12/31/07
Unpaid claims at the beginning of the year, 4/1/06	$ 1,487
Claims made	186,227
Claims paid	48,913
Unpaid claims at the end of the year, 12/31/07	137,314
Estimate of claims incurred but not reported	110,395
Total unpaid claims and incurred	$ 249,196

15. HOTEL/MOTEL LODGING TAX

The County has levied a 5% lodging tax. During the twelve months ended December 31, 2007, $152,511 was collected. Per state law, $37,085 of this was required to be spent to promote tourism, conventions and trade shows. The County spent $43,225 for these purposes thereby conforming to the requirements of state law. This represented 117% of the amount required. Verification was reviewed to ensure that the Chamber made use of such funds in conformity with the requirements of Code Section 48-8-121 as modified by House Bill 1433.

16. OPERATING LEASE COMMITMENTS

The County rents a number of building and landfill "convenience centers" on a month to month basis. It has one operating lease which is annually renewable. The obligations are as follows:

Land rent: $250 monthly
Yukon Convenience Center

Current Year: $ 3,000

Year	Amount
2008	$ 3,000
2009	3,000
2010	3,000
2011	3,000
2012	3,000
2013-2016	3,000
	$ 15,000

17. COMPLIANCE

The County's expenditures exceeded the appropriated amounts. This is the result of unexpected expenditures that were funded with revenues exceeding budgeted amounts. The County has issued a Plan of Corrective Action pertaining to this issue of non-compliance.

REQUIRED SUPPLEMENTARY INFORMATION

GILMER COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

EXHIBIT B

	Budgeted Amounts		Budget to GAAP Differences	Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final	Over (Under)	(See Note A)	Over (Under)
Revenues:					
Property taxes	$ 8,226,960	$ 8,226,960	$ -	$ 8,620,261	$ 393,301
Sales and use tax	3,668,093	3,668,093	-	3,627,277	(40,816)
Miscellaneous taxes	1,893,992	1,893,992	-	1,342,644	(551,348)
Licenses and permits	687,000	687,000	-	468,781	(218,219)
Intergovernmental	152,600	152,600	-	719,032	566,432
Charges for services	920,000	1,035,372	-	1,192,917	157,545
Fines and forfeitures	1,072,500	1,126,345	-	917,679	(208,666)
Investment earnings	90,800	90,800	-	119,301	28,501
Miscellaneous	317,500	384,455	-	236,744	(147,711)
Total Revenues	17,029,445	17,265,617	-	17,244,636	(20,981)
Expenditures:					
General government	3,845,483	3,362,013	-	3,061,421	(300,592)
Judicial	1,993,385	1,993,385	-	2,094,716	101,331
Public Safety:	6,856,867	7,413,228	-	8,904,123	1,490,895
Public Works:	2,376,060	2,394,060	-	2,628,604	234,544
Health and Welfare:	271,082	271,082	-	297,196	26,114
Culture and Recreation:	916,118	998,118	-	934,002	(64,116)
Housing and development:	770,450	833,731	-	702,888	(130,843)
Total Expenditures	17,029,445	17,265,617	-	18,622,950	1,357,333
Excess (Deficiency) of Revenues over Expenditures	$ -	$ -	$ -	$ (1,378,314)	$ (1,378,314)

The accompanying notes to Required Supplementary Information are an integral part of this statement.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY PROCESS

The budgetary data reflected in the financial statements are established and adopted by the County Commission and are based on prior year actual results and estimated current needs. Any change to original budgeted items must be approved by the County Commission. Details of budgeted items extend to individual revenue and expenditure accounts. Annual budgets have been legally adopted for the General Fund, Special Revenue Funds and Capital Project Funds. Budgets for the all funds are adopted on a basis consistent with generally accepted accounting principles, and on the same basis of accounting used by each fund to which the budget applies.

On or before August 15 of the preceding year, all agencies of the government submit requests for appropriations to the government's manager so that a budget may be prepared. Before September 1 the proposed budget is presented to the government's Commissioner for review. The County Commission holds a public hearing and a final budget must be prepared and adopted no later than December 31.

All appropriations lapse at year-end. The level on which expenditures may not legally exceed budgeted appropriations is at the department level.

The County's expenditures exceeded the appropriated amounts. This is the result of unexpected expenditures that were funded with revenues exceeding budgeted amounts.

A. INITIAL AND FINAL BUDGET

GENERAL FUND	Initial Budget	Final Budget	Changes
Revenues	$17,029,445	$ 17,265,617	$ 236,172
Expenditures	(17,029,445)	(18,622,950)	(1,595,505)
Excess (deficit)	$ -	$ (1,357,333)	$ (1,357,333)

OTHER SUPPLEMENTARY INFORMATION

COMBINING NON-MAJOR GOVERNMENTAL SCHEDULES

GILMER COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

EXHIBIT C-1

	Special Revenue Funds			
	Multiple Grant	E 911	Hotel/Motel	Total Nonmajor Governmental Funds
Assets				
Restricted cash	$ 4,594	$ 92,976	$ -	$ 97,570
Taxes receivable	-	-	31,120	31,120
Intergovernmental receivable	28,872	-	-	221,384
Other receivables	-	40,882	-	40,882
Due from other funds	-	-	(4,681)	(4,681)
Total Assets	$ 33,466	$ 133,858	$ 26,439	$ 429,629
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ 5,173	$ -	$ 56,034
Intergovernmental payable	-	-	26,439	26,439
Deferred revenues	-	-	-	18,775
Due to other funds	-	-	-	-
Total Liabilities	-	5,173	26,439	101,248
Fund Balances:				
Reserved for:				
Other purposes	(436,151)	173,685	-	(249,446)
Total Fund Balances	(436,151)	173,685	-	(879,245)
Total Liabilities and Fund Balances	$(436,151)	$ 178,858	$ 26,439	$ (777,997)

GILMER COUNTY, GEORGIA **EXHIBIT C-2**
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	Special Revenue Funds				
	Multiple Grant	E 911	Confiscated Assets	Hotel/Motel	Total Nonmajor Governmental Funds
Revenues:					
Sales and use tax	$ -	$ -	$ -	$ 152,511	$ 152,511
Intergovernmental	0	-	-	-	-
Fines and forfeitures	-	-	0	-	-
Charges for services	-	393,900	-	-	393,900
Interest income	364	5,036	-	-	5,400
Total Revenues	364	398,936	-	152,511	551,811
Expenditures:					
Public safety	-	347,882	(13,020)	-	981,261
Public works	(84,825)	-	-	-	(84,825)
Cutlure and recreation	-	-	-	-	-
Housing and development	(129,986)	-	-	106,722	(23,264)
Capital outlay	670,179	-	-	-	670,179
Total Expenditures	455,368	347,882	(13,020)	106,722	1,543,351
Excess of Revenues Over (Under) Expenditures	(455,004)	51,054	13,020	45,789	(991,540)
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	(45,789)	(45,789)
Total Other Financing Sources (Uses)	-	-	-	(45,789)	(45,789)
Net change in fund balances	(455,004)	51,054	13,020	-	(1,037,329)
Fund balances, beginning of year	18,853	122,631	-	-	158,084
Prior period adjustment	-	-	-	-	-
Fund balances, end of year	$(436,151)	$ 173,685	$ 13,020	$ -	$ (879,245)

INTERNAL CONTROL AND COMPLIANCE

LAND
& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

142 River Terrace - Ellijay, GA 30540 Phone: 706-276-3700 Fax: 706-276-3710 www.ellijaycpa.com

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*

Gilmer County Board of Commissioners
Gilmer County, Georgia

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gilmer County, Georgia as of and for the year ended December 31, 2007, which collectively comprise the Gilmer County, Georgia's basic financial statements and have issued our report thereon dated June 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Gilmer County, Georgia'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 Gilmer County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Gilmer 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 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 Gilmer County, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of Gilmer County, Georgia's financial statements that is more than inconsequential will not be prevented or detected by Gilmer County, Georgia's internal control. We consider the deficiencies described in the accompanying schedule of

findings and questioned costs 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 Gilmer County, Georgia's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Gilmer County, Georgia, in a separate letter dated June 30, 2008.

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

This report is intended solely for the information and use of management, the audit committee, board of commissioners, 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.

Ellijay, Georgia
June 27, 2008

GILMER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended December 31, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unqualified opinion on the basic financial statements of Gilmer County, Georgia.
2. The auditor's report on compliance and internal control over financial reporting includes three (3) significant deficiencies, of which none were considered to be material weaknesses.
3. The auditor's report on compliance and internal control over financial reporting disclosed no instances of noncompliance.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Gilmer County, Georgia expressed an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Gilmer County, Georgia are reported in Part C of the this Schedule.
7. The programs tested as major programs consisted of:

Grantor	CFDA #
Federal Emergency Management Agency	97.036

8. The dollar threshold to distinguish between Type A and Type B programs is $300,000.
9. Gilmer County, Georgia does not qualify to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

We consider the following deficiencies to be significant deficiencies in internal controls.

Repeat finding from the prior year:

2006-1 Lack of Segregation of Duties in Various Departments (Sheriff, Tax Commissioner, Clerk of Court, Magistrate Judge, and Probate Judge)

Criteria: Segregation of employee's duties is a common practice in an effective internal control structure. Policies should be in place requiring the segregation of duties involving cash receipts, cash disbursements, payroll, general ledger and bank reconciliation.

Condition/Context: During the course of the audit, we noted many of critical duties are combined and given to the available employees.

Effect: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the County.

Cause: The limited number of employees working in the office and the resulting overlapping of duties causes segregation of duties to be difficult.

Recommendation: To the extent possible, duties should be segregated to maintain the best control system possible. We feel segregation of duties could be improved if different employees performed the separate duties of processing cash receipts and cash disbursements, and maintaining the general ledger. In situations where additional personnel are not available, and effort should be made to divide the duties of the available personnel in such a manner as to achieve the greatest possible segregation of duties. Increased council involvement in the County's finances is also encouraged to strengthen internal controls. When these suggestions are implemented, the County's system of internal control will be enhanced, so that the risk of employee misappropriation of assets is reduced.

Response: The lack of segregation of duties is a recurring item that due to the limited number of employees is difficult to accomplish. Management plans to continue close involvement with the County's finances to aid in this matter.

2006 - 2 Prior year adjustments required

Criteria: The County is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Adjustments were required at year end to adjust the financial statements for activity in the prior year that was not detected during the prior year management review.

Effect: Failure to record adjustments distorts the financial information that is provided to management and may lead to critical financial decisions being made on erroneous data.

Recommendation: We suggest that the County perform an in-depth review of the financial statements each year.

Response: The County agrees with this finding and will review all adjustments to the financial statements each year prior to issuance.

2006 - 3 Adjusting accrual entries required

Criteria: The County is responsible for preparing annual financial statements in accordance with generally accepted accounting principles (GAAP). Several adjustments to the financial statements were required at year end. This includes accrual entries and certain issues regarding fixed assets.

Effect: Failure to record accrual entries could result in internal financial statements being misstated.

Recommendation: We suggest that the appropriate schedules be maintained and adjusting entries be made as required on a monthly basis.

Response: The County agrees with this finding and plans to make the proper adjustments in a timely manner in the future.

Current year finding:

None reported.

C. FINDINGS – AUDIT COMPLIANCE – MAJOR FEDERAL AWARDS PROGRAMS

None reported.

STATE SECTION

GILMER COUNTY, GEORGIA **EXHIBIT D**

SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX

For the Year Ended December 31, 2007

SPLOST Project	Estimated Cost		Expenditures			Estimated % of Completion
	Original	Current	Prior Years	Current Year	Total	
SPLOST 2001						
Roads and bridge improvements	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ -	$ 5,000,000	100.00%
Landfill/solid waste	1,500,000	1,500,000	375,960	669,049	1,045,009	69.67%
	$ 6,500,000	$ 6,500,000	$ 5,375,960	$ 669,049	$ 6,045,009	
SPLOST 2003						
New courthouse and library project	$ 8,000,000	$ 21,974,958	$ 10,998,023	$ 10,289,032	$ 21,287,055	96.87%
Roads and bridge improvements	6,600,000	6,600,000	3,037,472	-	3,037,472	46.02%
Landfill/solid waste	5,400,000	5,400,000	-	-	-	0.00%
	$ 20,000,000	$ 33,974,958	$ 14,035,495	$ 10,289,032	$ 24,324,527	

Note A: This schedule has been prepared on the modified accrual basis of accounting.

FEDERAL SECTION

LAND
& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

142 River Terrace - Ellijay, GA 30540 Phone: 706-276-3700 Fax: 706-276-3710 www.ellijaycpa.com

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

Gilmer County Board of Commissioners
Gilmer County, Georgia

Compliance

We have audited the compliance of Gilmer County, Georgia with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Gilmer County, Georgia'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 Gilmer County, Georgia's management. Our responsibility is to express an opinion on Gilmer County, Georgia's compliance based on our audit.

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 Gilmer County, Georgia'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 on Gilmer County, Georgia's compliance with those requirements.

In our opinion, Gilmer County, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Gilmer County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and

grants applicable to federal programs. In planning and performing our audit, we considered Gilmer County, Georgia's internal control over compliance with 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 Gilmer 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 the 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.

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

This report is intended solely for the information and use of management, others within the entity, 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.



Ellijay, Georgia
June 27, 2008

GILMER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Disaster Grants - Public Assistance	97.036	FEMA-1554-DR-GA	$ 610,447
Total Federal Emergency Management Agency			610,447
Total Expenditures of Federal Awards			$ 610,447