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JENKENS COUNTY, GEORGIA

FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2005

PICKENS COUNTY, GEORGIA
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December 31, 2005

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PICKENS COUNTY, GEORGIA

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Robert P. Jones
Commissioner of Roads and Revenues of
Pickens County, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pickens 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 Pickens County Department of Public Health, a component unit of the County, which represents 10 percent, 65 percent, and 76 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pickens County Department of Public Health, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia, as of December 31, 2005, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 3, 8, and 18 to the financial statements, certain errors in previously reported revenues and expenditures were discovered by us during the audit, which resulted in an understatement of fund balance and net assets. Accordingly, the financial statements have been restated to correct errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006 on our consideration of Pickens County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, pension schedule, and budgetary comparison information on pages 4 through 8, and 42 through 45, are not required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board and 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 Pickens County, Georgia's basic financial statements. The combining and individual nonmajor fund and agency fund schedules and 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 also not a required part of the basic financial statements of Pickens County, Georgia. The combining and individual nonmajor fund schedules, special local option sales tax schedule and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lowe & Associates, P.C., CPAs

Jasper, Georgia
December 15, 2006

PICKENS COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2005

Our discussion and analysis of Pickens County, Georgia's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2005.

USING THE AUDIT

The audit of Pickens County, Georgia for the fiscal year ended December 31, 2005 is the second year that GASB 34 has been implemented. A comparison with prior year is provided.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets begins on page 10 and the Statement of Activities begins on page 11. These statements include all assets and liabilities using the accrual method. By using this method, the County accounts for revenues and expenditures when they occur rather than when cash is received or paid. Pickens County, Georgia has implemented GASB 34 under the phase three stage, which did not require the County to retroactively include infrastructure, such as roads, right of ways, bridges and other similar type items in the financial statements. The County was required to capitalize current year infrastructure additions.

During 2005, the County continued construction of a new Adult Detention Center with SPLOST revenues. Construction should be complete around the beginning of 2006, with inmate occupation by January 2006. The County continued to purchase equipment for fire protection as well as constructing an EMS station in a current fire station. Road improvements were also made with SPLOST revenues.

During 2005, as an activity of the General Fund: the County also made road improvements, such as, four bridges damaged by '04 Hurricane Ivan, initiated installation of traffic light at 53 and Sammy McGhee Blvd, committed LARP funds to repairing and re-paving of old Highway 5 through Pickens County from Cherokee County to Gilmer County, and initiated design of improved Harmony School Road for new school. Pickens County also initiated the possibility of consolidating services into one location and exploring the addition of staff for fire protection. In addition, commissioned long-range recreation study, implemented first ever zoning ordinance in county, commissioned long-range water study to ensure sufficient water sources and distribution for next 20 years, and commissioned the formation of an Infrastructure Task Force to explore feasibility and advisability of private waste water sewerage treatment facilities.

REPORTING THE COUNTY'S FUNDS

The Fund Financial Statements begin on page 13. These statements provide detailed information pertaining to each fund of the County. Some funds are created as required by Georgia State law or bond covenants. The remaining funds are created by the County as a tool to help control and manage resources for a particular purpose or to show that the County is meeting legal responsibilities for using certain type of taxes, grants or other resources. Governmental activities include the activities of the General Fund, SPLOST Fund, Hotel/Motel Fund, Revolving Loan Fund, and E-911 Fund. The General fund is the fund that represents the general activity of the government. The SPLOST Fund represents the activity associated with the SPLOST referendum, which passed March 2003 and began July 2003. The Hotel/Motel Fund is the fund required in the collection of occupancy taxes from local hotels and motels and is utilized to promote tourism. The Revolving Loan Fund is a grant received in prior years with the purpose of loaning monies to local businesses that met the criteria. The E-911 Fund is the fund which accounts for the surcharges on local phone lines and the expenditures related to the operation of the E-911 Center. Other governmental funds which relate to the County's judicial system include the drug task force fund, adult drug court fund, Appalachian pre-trial probation fund, CASA fund, victims of crime assistance fund, domestic victim's assistance fund, and family drug court fund. Business-type activities include activities in the water fund, which operates the water system, and the airport fund, which operates the airport.

THE COUNTY AS A WHOLE

Condensed Statements of Net Assets

Table 1 presents the County's condensed Statement of Net Assets as of December 31, 2005.

Table 1: Condensed Statement of Net Assets

	Governmental Activities 2005	Business-type Activities 2005	Total 2005	Total 2004
Assets				
Current and other Assets	$15,801,211	$ (112,939)	$15,688,272	$10,034,981
Capital assets	22,403,916	11,769,296	34,173,212	20,429,763
Non-current assets	-	11,356	11,356	14,613
Total Assets	38,205,127	11,667,713	49,872,840	30,479,357

Liabilities				
Other liabilities	1,700,742	3,718,935	5,419,677	852,409
Long-term liabilities	11,971,600	4,503,333	16,474,933	9,855,168
Total Liabilities	13,672,342	8,222,268	21,894,610	10,707,577
Net Assets				
Invested in capital assets, net of related debt	11,483,477	4,557,333	16,040,810	11,879,171
Restricted	4,781,472	129,228	4,910,700	1,512,850
Unrestricted	8,267,836	(1,241,116)	7,026,720	6,379,759
Total Net Assets	$24,532,785	$ 3,445,445	$27,978,230	$19,771,780

The major component of the County's Governmental Activities Net Assets is the Investment in Capital Assets, Net of Related Debt. Capital Assets include land, land improvements, buildings, machinery and equipment, furniture and fixtures, infrastructure, vehicles, and other, net of related debt. These assets are utilized by the County to provide services to the citizens and industries located within the County; however, the net assets are resources that are not available for future spending. Total cash on hand by Governmental Activities available for unrestricted finance of governmental operations was approximately $3.4 million as of December 31, 2005. Restricted cash for Governmental Activities was $4.5 million. Restricted net assets included in the financial statements are resources that are subject to external restrictions, constitutional provisions, or enabling legislation, which specify how the resources are to be used. Unrestricted net assets are the remainder and are resources that can be used in government operations.

Business-type activities had a total of $118,417 of cash on hand for use in operations, with $141,369 of cash on hand for restricted purposes.

Condensed Statement of Activities

Table 2 presents the County's condensed Statement of Activities for the year ended December 21, 2005.

Table 2: Condensed Statement of Activities

	Governmental Activities 2005	Business-type Activities 2005	Total 2005	Total 2004
Revenues				
Program revenues:				
Charges for services	$ 4,435,012	$ 1,902,491	$ 6,337,503	$ 4,936,683
Operating grants & contributions	1,491,667	315,613	1,807,280	2,575,444
Capital grants & contributions	-	-	-	-
General revenues:				
Property taxes	6,495,696	-	6,495,696	7,918,260
Sales taxes	6,714,159	-	6,714,159	-
Franchise taxes	79,178	-	79,178	-

Other taxes	1,253,844	-	1,253,844	5,994,549
Other revenues	198,576	1,200	199,776	163,508
Total Revenues	20,668,132	2,219,304	22,887,436	21,588,444
Expenses				
General government	2,015,747	-	2,015,747	2,102,121
Judicial	3,089,720	-	3,089,720	1,988,472
Public safety	6,257,813	-	6,257,813	7,119,067
Public works	2,422,590	-	2,422,590	2,930,642
Health and welfare	265,813	-	265,813	206,166
Culture and recreation	633,914	-	633,914	664,536
Housing and development	566,207	-	566,207	564,976
Interest on Long-term debt	161,648	-	161,648	13,405
Total Expenses	15,413,452	-	15,413,452	15,589,385
Business-type activities:				
Water Fund	-	1,611,857	1,611,857	1,386,068
Airport Fund	-	210,384	210,384	139,949
	-	1,822,241	1,822,241	1,526,017
Increase (decrease) in net assets before transfers	5,254,680	397,063	5,651,743	4,473,042
Transfers	(154,471)	154,471	-	-
Change in net assets	5,100,209	551,534	5,651,743	4,473,042
Beginning net assets before restatement	17,144,620	2,627,160	19,771,780	15,543,230
Prior period adjustment	2,287,956	266,751	2,554,707	(244,492)
Beginning net assets after restatement	19,432,776	2,893,911	22,326,687	15,298,738
Ending net assets	$ 24,532,785	$ 3,445,445	$ 27,978,230	$ 19,771,780

During the year ending December 31, 2005, the net assets of the government activities increased $5.1 million. The business-type activities increased $.55 million.

Approximately 32% of the County's revenues came from property taxes and approximately 39% came from other taxes. Charges for services attributed 22% of the County's revenue while operating grants and contributions included 6%; the remaining 1% of the County's revenue is from miscellaneous items.

For the business-type activities, charges for services were 86% of total revenues with 14% coming from operating grants and contributions.

The County's expenses cover a wide range of services offered to the citizens with 13% related to general government, 21% to judicial, 41% to public safety, 16% to public works, 5% to culture and recreation, and the remaining 4% for culture/recreation and housing/development.

The General Fund is the operating fund of the County. At the end of December 31, 2005, the net change was $1,596,474, bringing the ending unreserved fund balance to $8,149,290. Fund balance does not represent cash available.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2005, the County did revise the budget to reflect actual amounts. Please refer to Exhibit B-2 for further information on the budgeting process.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The County reported approximately $22.4 million in capital assets for governmental activities. The County's major capital assets transactions include construction of buildings. The County's business-type activities reported approximately $11.7 million in capital assets. The County's major capital assets additions for business-type activities included construction of water lines, pump stations, and storage tank. Please refer to Note 3 in the financial statements for additional information regarding capital assets.

The County reported approximately $11.9 million in long-term debt for governmental activities. Business-type activities reported approximately $4.5 million in long-term debt. Please refer to Note 7 in the financial statements for additional information regarding debt.

CONCLUSION

Separately issued financial statements may be obtained for the Pickens County Department of Public Health, which is shown as a component unit of Pickens County, Georgia. Those financial statements can be obtained at the following address:

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

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional finance information can be obtained by contacting the Finance Department at mchampion@ellijay.com or the following address:

Mechelle F. Champion
Finance Director/Internal Auditor
Pickens County Government
52 North Main Street, Suite 201
Jasper, GA 30143

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PICKENS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
December 31, 2005

EXHIBIT A-1

	Governmental Activities	Business-type Activities	Total Primary Government	Health Department	Development Authority
Assets					
Cash and equivalents	$ 3,442,810	$ 118,417	$ 3,561,227	$ 104,422	$ 88,013
Restricted cash	4,569,937	141,369	4,711,306	-	-
Investments	-	-	-	402,638	92,766
Receivables	4,880,611	127,087	5,007,698	18,035	2,220,331
Internal balances	536,217	(536,217)	-	-	-
Due from component unit	332,323	-	332,323	-	-
Due from other governmental agencies	1,353,247	-	1,353,247	11,556	-
Inventories	-	36,405	36,405	-	-
Prepaid expenses	147,997	-	147,997	-	-
Other receivables	538,069	-	538,069	-	-
Total Current Assets	15,801,211	(112,939)	15,688,272	536,651	2,401,110
Noncurrent Assets:					
Capital Assets:					
Land, improvements, and construction in progress	11,149,624	6,383,749	17,533,373	-	2,688,841
Other capital assets, net of depreciation	11,254,292	5,385,547	16,639,839	24,861	-
Total capital assets, net	22,403,916	11,769,296	34,173,212	24,861	2,688,841
Other Assets:					
Unamortized debt issue costs	-	11,356	11,356	-	-
Total Noncurrent Assets	22,403,916	11,780,652	34,184,568	24,861	2,688,841
Total Assets	$ 38,205,127	$ 11,667,713	$ 49,872,840	$ 561,512	$ 5,089,951
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 1,329,987	$ 708,155	$ 2,038,142	$ 788	$ -
Deferred revenues	324,187	302,150	626,337	-	-
Due to primary government	-	-	-	-	332,323
Notes payable	-	2,708,630	2,708,630	-	-
Accrued interest	46,568	-	46,568	-	15,056
Long-term liabilities:					
Due within one year:					
Bonds, capital leases and contracts	910,835	162,069	1,072,904	-	4,467,735
Compensated absences	-	-	-	11,556	-
Due in more than one year:					
Bonds, capital leases and contracts	10,009,604	4,341,264	14,350,868	-	-
Compensated absences	127,927	-	127,927	33,962	-
Post closure costs	923,234	-	923,234	-	-
Total Liabilities	13,672,342	8,222,268	21,894,610	46,306	4,815,114
Net Assets:					
Invested in capital assets, net of related debt	11,483,477	4,557,333	16,040,810	24,861	-
Restricted for:					
Capital projects	4,362,187	-	4,362,187	-	-
Other purposes	419,285	129,228	548,513	249,618	-
Unrestricted	8,267,836	(1,241,116)	7,026,720	240,727	274,837
Total Net Assets	24,532,785	3,445,445	27,978,230	515,206	274,837
Total Liabilities and Net Assets	$ 38,205,127	$ 11,667,713	$ 49,872,840	$ 561,512	$ 5,089,951

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2005

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	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental Activities:								
General government	$ 2,015,747	$ 1,085,791	$ 414,250	$ -	$ (515,706)	$ -	$ (515,706)	
Judicial	3,089,720	2,101,439	633,095	-	(355,186)	-	(355,186)	
Public safety	6,257,813	817,869	442,484	-	(4,997,460)	-	(4,997,460)	
Public works	2,422,590	286,649	-	-	(2,135,941)	-	(2,135,941)	
Health and welfare	265,813	-	-	-	(265,813)	-	(265,813)	
Culture and recreation	633,914	123,050	-	-	(510,864)	-	(510,864)	
Housing and development	566,207	20,214	1,838	-	(544,155)	-	(544,155)	
Other	-	-	-	-	-	-	-	
Interest on Long-term debt	161,648	-	-	-	(161,648)	-	(161,648)	
Total Governmental activities	15,413,452	4,435,012	1,491,667	-	(9,486,773)	-	(9,486,773)	
Business-type activities:								
Water Fund	1,611,857	1,794,922	259,517	-	-	442,582	442,582	
Airport Fund	210,384	107,569	56,096	-	-	(46,719)	(46,719)	
Total business-type activities	1,822,241	1,902,491	315,613	-	-	395,863	395,863	
Total primary government	17,235,693	6,337,503	1,807,280	-	(9,486,773)	395,863	(9,090,910)	
Component Units:								
Health Department	$ 524,629	$ 184,566	$ 345,521	-				$ 5,458
Industrial Development Authority	161,859	166,994	-	-				5,135
Total Component Units	$ 686,488	$ 351,560	$ 345,521	$ -				10,593
General revenues:								
Taxes:								
Property taxes, levied for general purposes					6,495,696	-	6,495,696	-
Sales taxes					6,714,159	-	6,714,159	-
Franchise taxes					79,178	-	79,178	-
Other taxes					1,253,844	-	1,253,844	-
Grants and contributions not restricted to specific programs					100	-	100	-
Unrestricted investment earnings					93,175	1,200	94,375	-
Miscellaneous					105,301	-	105,301	-
Transfers					(154,471)	154,471	-	-
Total general revenues, special items, and transfers					14,586,982	155,671	14,742,653	-
Change in net assets					5,100,209	551,534	5,651,743	10,593
Net assets - beginning before restatement					17,144,620	2,627,160	19,771,780	607,761
Prior period adjustment					2,287,956	266,751	2,554,707	171,689
Net assets - beginning after restatement					19,432,576	2,893,911	22,326,487	779,450
Net assets - ending					$ 24,532,785	$ 3,445,445	$ 27,978,230	$ 790,043

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

PICKENS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005

	General Fund	SPLOST	Nonmajor Special Revenue Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 2,825,824	$ -	$ 616,986	$ 3,442,810
Restricted cash	184,070	4,385,867	-	4,569,937
Taxes receivable, net	4,880,611	-	-	4,880,611
Due from other funds	680,672	-	6,000	686,672
Due from component unit	332,323	-	-	332,323
Receivable from other governments	524,173	662,724	420,768	1,607,665
Other receivables	261,405	-	22,246	283,651
Prepaid expenses	147,997	-	-	147,997
Total Assets	$ 9,837,075	$ 5,048,591	$ 1,066,000	$ 15,951,666
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 578,300	$ 640,791	$ 42,964	$ 1,262,055
Due to other funds	6,000	21,298	123,157	150,455
Deferred revenue	1,081,958	-	-	1,081,958
Other payables	21,527	24,315	22,090	67,932
Total Liabilities	1,687,785	686,404	188,211	2,562,400
Fund Balances:				
Reserved for:				
Prepaid expenses	147,997	-	-	147,997
Capital projects	111,509	4,362,187	-	4,473,696
Other purposes	72,561	-	-	72,561
Unreserved	7,817,223	-	-	7,817,223
Unreserved, reported in non-major:				
Special revenue funds	-	-	877,789	877,789
Total Fund Balances	8,149,290	4,362,187	877,789	13,389,266
Total Liabilities and Fund Balances	$ 9,837,075	$ 5,048,591	$ 1,066,000	$ 15,951,666

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA **EXHIBIT A-4**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2005

Total fund balance, governmental funds	$	13,389,266
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.		22,403,916
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		757,771
Some liabilities, (such as accrued interest, notes payable, capital lease obligations, long-term compensated absences, 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.		(12,018,168)
Net Assets of Governmental Activities in the Statement of Net Assets	$	24,532,785

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended December 31, 2005

EXHIBIT A-5

	General Fund	SPLOST	Nonmajor Special Revenue Funds	Total Governmental Funds
Revenues:				
Taxes	$ 10,769,110	$ 3,913,266	$ 38,233	$ 14,720,609
Intergovernmental	765,037	-	747,905	1,512,942
Licenses and permits	633,470	-	-	633,470
Charges for services	2,096,613	-	1,295,368	3,391,981
Fines and forfeitures	374,088	-	13,346	387,434
Investment earnings	26,193	57,239	10,594	94,026
Miscellaneous	75,714	-	9,341	85,055
Total Revenues	14,740,225	3,970,505	2,114,787	20,825,517
Expenditures:				
Current:				
General government	1,848,727	-	4,033	1,852,760
Judicial	1,882,772	-	1,834,014	3,716,786
Public safety	4,745,454	-	1,039,453	5,784,907
Public works	2,348,874	-	-	2,348,874
Health and welfare	248,285	-	-	248,285
Culture and recreation	619,094	-	-	619,094
Housing and development	549,602	-	37,151	586,753
Debt service:				
Principal	284,919	275,764	-	560,683
Interest and other charges	165,889	223,382	-	389,271
Capital outlay	-	8,997,764	38,323	9,036,087
Total Expenditures	12,693,616	9,496,910	2,331,874	24,522,400
Excess (deficiency) of revenues over expenditures	2,046,609	(5,526,405)	(217,087)	(3,696,883)
Other Financing Sources (Uses):				
Contribution from private sources	100	-	-	100
Proceeds from capital leases	-	8,200,000	-	8,200,000
Transfers in	28,631	-	366,670	395,301
Transfers out	(525,488)	-	(24,284)	(549,772)
Proceeds from sale of capital assets	46,622	-	-	46,622
Total other financing sources and uses	(450,135)	8,200,000	342,386	8,092,251
Net change in fund balances	1,596,474	2,673,595	125,299	4,395,368
Fund balances - beginning	6,756,402	1,688,592	354,871	8,799,865
Prior period adjustments	(203,586)	-	397,619	194,033
Fund balances - ending	$ 8,149,290	$ 4,362,187	$ 877,789	$ 13,389,266

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2005

EXHIBIT A-6

Net change in fund balances - total governmental funds:	$	4,395,368
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period, capital outlays of $9,440,709 exceeded depreciation expense of $765,941, resulting in an excess of capital outlay over depreciation expense of $8,674,768..		8,674,768
Proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the asset is removed from capital assets in the statement of net assets and offset against the sales proceeds resulting in a gain or loss in the statement of activities. Thus, more revenue is reported in the governmental funds than gain in the statement of activities.		(141,534)
Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.		(188,261)
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. The costs associated with the issue of the capital lease is recorded as expenditures in the governmental funds because such outlay uses current financial resources. The statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the life of the debt as amortization expense for the period. This is the amount by which capital lease proceeds of $8,200,000 exceeded the debt issue costs of $40,519, net of amortization of $1,352.		(8,160,833)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of bond and capital lease payments of $548,154.		548,154
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Increase in compensated absences		
Accrued compensated absences		(27,698)
Net increase in accrued interest		(33,096)
Net change in other items		1,505
Governmental funds do not report the accumulation of long-term obligations, such as the post-closure costs of municipal solid waste landfill facilities. This is the amount that is recognized in the statement of activities related to these obligations.		31,836
Change in net assets of governmental activities	$	5,100,209

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005

EXHIBIT A-7

	Enterprise Funds		
	Water Fund	Airport Fund	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 94,044	$ 24,373	$ 118,417
Restricted cash	141,369	-	141,369
Accounts receivable, net	126,872	35	126,907
Other receivables	-	180	180
Due from other funds	6,228	-	6,228
Receivables from other governments	-	-	-
Inventories	28,156	8,249	36,405
Total Current Assets	396,669	32,837	429,506
Noncurrent Assets:			
Capital assets:			
Land and improvements	343,382	759,388	1,102,770
Buildings and improvements	191,731	-	191,731
Infrastructure	6,122,827	-	6,122,827
Construction in progress	5,398,094	417,273	5,815,367
Equipment and vehicles	411,099	120,733	531,832
Less accumulated depreciation	(1,924,959)	(70,272)	(1,995,231)
Total capital assets, net	10,542,174	1,227,122	11,769,296
Debt issuance costs, net	11,356	-	11,356
Total Noncurrent Assets	10,553,530	1,227,122	11,780,652
Total Assets	$ 10,950,199	$ 1,259,959	$ 12,210,158
Liabilities and Net Assets			
Liabilities:			
Current Liabilities:			
Accounts payable	$ 668,906	$ 11,503	$ 680,409
Accrued expenses	15,605	-	15,605
Notes payable	2,708,630	-	2,708,630
Deferred revenue	-	302,150	302,150
Due to other funds	542,445	-	542,445
Current portion of notes payable	109,614	-	109,614
Current portion of capital lease obligations	20,258	-	20,258
Liabilities payable from restricted assets:			
Current portion of bonds payable	32,197	-	32,197
Accrued interest	12,141	-	12,141
Total Current Liabilities	4,109,796	313,653	4,423,449
Noncurrent Liabilities:			
Capital lease obligations	49,248	-	49,248
Bonds, notes and loans payable	4,292,016	-	4,292,016
Total Noncurrent Liabilities	4,341,264	-	4,341,264
Total Liabilities	8,451,060	313,653	8,764,713
Net Assets:			
Invested in capital assets, net of related debt	3,330,211	1,227,122	4,557,333
Restricted for debt service	129,228	-	129,228
Unrestricted	(960,300)	(280,816)	(1,241,116)
Total Net Assets	2,499,139	946,306	3,445,445
Total Liabilities and Net Assets	$ 10,950,199	$ 1,259,959	$ 12,210,158

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2005

EXHIBIT A-8

	Enterprise Funds		
	Water Fund	Airport Fund	Total
Operating Revenues:			
Charges for services	$ 1,794,922	$ 107,569	$ 1,902,491
Total Operating Revenues	1,794,922	107,569	1,902,491
Operating Expenses Before Deduction for Depreciation:			
Personal services	494,900	25,750	520,650
Contractual services	338,974	70,366	409,340
Utilities	75,777	69,826	145,603
Repairs and maintenance	38,175	2,105	40,280
Other supplies and expenses	152,060	10,771	162,831
Total Operating Expenses	1,099,886	178,818	1,278,704
Operating income (loss) before depreciation	695,036	(71,249)	623,787
Depreciation and amortization	(291,887)	(31,566)	(323,453)
Operating income (loss)	403,149	(102,815)	300,334
Nonoperating Revenues (Expenses):			
Capital grants	255,467	56,096	311,563
Interest revenue	1,155	45	1,200
Contributions from private sources	4,050	-	4,050
Interest expense	(220,084)	-	(220,084)
Total Nonoperating Revenue (Expenses)	40,588	56,141	96,729
Income (loss) before contributions and transfers	443,737	(46,674)	397,063
Transfers in	-	158,818	158,818
Transfers out	(4,347)	-	(4,347)
Change in net assets	439,390	112,144	551,534
Total net assets, beginning of year	2,069,346	557,814	2,627,160
Prior period adjustment	(9,597)	276,348	266,751
Total net assets, end of year	$ 2,499,139	$ 946,306	$ 3,445,445

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA **EXHIBIT A-9**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2005

	Enterprise Funds		
	Water Fund	Nonmajor-Airport Fund	Total
Cash Flows from Operating Activities:			
Receipts from customers	$ 1,943,182	$ 409,504	$ 2,352,686
Payments to suppliers	(606,733)	(150,022)	(756,755)
Payments to employees	(494,900)	(25,750)	(520,650)
Net cash provided by (used in) operating activities	841,549	233,732	1,075,281
Cash Flows from Noncapital Financing Activities:			
Transfers in	-	158,818	158,818
Transfers out	(4,347)	-	(4,347)
Net change in interfund receivables/payables	(568,293)	-	(568,293)
Net cash provided by (used in) noncapital financing activities	(572,640)	158,818	(413,822)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(3,145,911)	(430,710)	(3,576,621)
Proceeds from debt	3,032,378	-	3,032,378
Principal paid on capital debt	(147,345)	-	(147,345)
Interest paid on capital debt	(201,496)	-	(201,496)
Capital grants	255,462	56,096	311,558
Contributions	4,055	-	4,055
Net cash provided by (used in) capital and related financing activities	(202,857)	(374,614)	(577,471)
Cash flows from Investing Activities			
Investment income	1,155	45	1,200
Net cash provided by (used in) investing activities	1,155	45	1,200
Net increase (decrease) in cash	67,207	17,981	85,188
Cash, beginning of year	168,206	6,392	174,598
Cash, end of year	$ 235,413	$ 24,373	$ 259,786
Reconciliation of Total Cash:			
Unrestricted	$ 94,044	$ 24,373	$ 118,417
Restricted	141,369	-	141,369
	$ 235,413	$ 24,373	$ 259,786
Supplementary Information:			
Interest paid	$ 201,496	$ -	$ 201,496

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA **EXHIBIT A-9**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2005

	Enterprise Funds		
	Water Fund	Nonmajor-Airport Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 403,149	$ (102,815)	$ 300,334
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	291,887	31,566	323,453
Change in assets and liabilities:			
Accounts receivable	148,260	(215)	148,045
Inventories	31,727	(8,249)	23,478
Accounts payable	(33,474)	11,295	(22,179)
Deferred revenue	-	302,150	302,150
Net cash provided by (used in) operating activities	$ 841,549	$ 233,732	$ 1,075,281

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA **EXHIBIT A-10**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

December 31, 2005

	Agency Fund
Assets	
Cash and cash equivalents	$ 2,358,107
Restricted cash	242,668
Due from others	-
Total Assets	$ 2,600,775
Liabilities	
Cash over draft	$ -
Funds held in trust	-
Due to others	2,600,775
Total Liabilities	$ 2,600,775

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Pickens County Board of Commissioner 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, for financial reporting purposes, management has considered all potential component units. The County's financial statements include the County's accounts of all operations. The criteria for including organizations within the County's reporting entity, as set forth in Governmental Accounting Standards Board's Statement No. 14 (GASB 14), "The Financial Reporting Entity", is financial accountability. Financial accountability is defined as 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'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 Pickens County Tax Commissioner disburses a portion of taxes collected to the Pickens 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 discretely presented component units are reported in a separate column in the combined financial statements. The Pickens County Department of Public Health is shown as a discretely presented component unit. It is shown in a separate column on the combined financial statements to emphasize legal separation from the County. The Health Department provides health related services to the citizens of Pickens County. The County provides the Health Department with the building. The County also provides the Health Department with general and liability insurance, maintenance on the building and janitorial services. Complete financial statements for the year ended June 30, 2005 of the individual component unit can be obtained directly from their administrative office. The address of the administrative office is as follows:

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

The Development Authority of Pickens County, Georgia (the "Authority") is included in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The Authority acts as a catalyst in the development and promotion of trade, commerce, industry and employment opportunities within Pickens County. The County supplements the Authority through monthly payments. Information included herein has been compiled from the records of the Authority. Complete financial statements are not available.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the statement of net assets and statement of activities) display information about the reporting government as a whole, except for its fiduciary activities. For the most part, the effect of interfund activity has been eliminated from these statements. These statements distinguish, between the *governmental* and *business-type activities* of the County. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the County and 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. 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 or business segment is self-financing or draws from the general revenues of the County.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for capital improvements result from both the capital projects and enterprise funds and the restrictions on their net asset use.

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The accompanying financial statements present the activities of Pickens County, Georgia (the County) and its component unit, a legally separate organization for which the County is financially accountable for. The accounts of the County are organized into funds and account groups, each of which is considered a separate accounting entity. 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.

As a general rule, when both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

GOVERNMENTAL FUNDS

Governmental funds are those with which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, used, 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 designed to the fund from which they will be liquidated.

The County reports the following major governmental funds:

General Fund – This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

SPLOST Fund – This is a capital projects fund to account for financial resources to be used for the acquisition or construction of major capital projects as approved on a referendum for a special local option sales tax.

Additionally, the County reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to 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.

Agency Funds – Agency Funds are custodial in nature, (assets equal liabilities), and do not involve measurement of results of operations. Revenues and expenditures collected by the Tax Commissioner, Clerk of Superior Court, Judge of Probate Court, Judge of Magistrate Court, Sheriffs office and Tax Assessor's office are accounted for in the General Fund to which the net revenues collected are transferred.

GASB 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and used to account for fixed 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 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 Interfund 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.

PROPRIETARY FUNDS

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. These funds are used to account for operations that are financed and operated in a manner similar to the private sector where the intent of the governing body is that the expenses, including depreciation, of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Proprietary funds are classified as either enterprise or internal service.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The County reports the following major enterprise funds:

Water Fund -- This fund accounts for the development, operation and maintenance of the utility system that provides water service.

Airport Fund -- This fund accounts for the development of the airport expansion capable of providing tie downs and accommodating aircraft.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The statement of net assets and the statement of activities display information about the County, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide and fiduciary fund financial statements are reported using the economic resources management focus and the accrual basis of accounting, as well as the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are fulfilled. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statement for governmental funds.

Governmental Fund Financial Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Revenues are considered to be available when they will be collected in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the calendar year end. Revenues susceptible to accrual include taxes, permits, intergovernmental revenues, charges for services and miscellaneous revenues. Sales taxes in the General Fund are recognized as revenue when received by the intermediary collecting governments, for subsequent disbursement to the County. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seem certain. Expenditures are recorded when the related fund liability incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisition is reported as expenditures in governmental funds. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at each year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

E. CASH AND CASH EQUIVALENTS

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.

Cash and cash equivalents shown on the balance sheet includes amounts in demand deposits. 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 of 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 shown net of an allowance for uncollectibles. 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.

The property tax calendar for 2005 digest is as follows:

Levy Date	December 4, 2005
Due Date	February 3, 2006
Delinquent Date	February 4, 2006
Lien Date	May 8, 2006

Interest at twelve percent annually is added on the delinquent date. A one time 10% penalty is added after being delinquent 90 days. The total current levy for the 2005 property tax bills was $20,441,099.

Accounts receivable in the Water Fund and ambulance accounts receivable in the General Fund are stated at gross amounts receivable less an allowance for estimated uncollectible accounts. The allowance is computed as a percentage of revenues and other factors. The allowance for uncollectible accounts in the Water Fund and the General Fund as of December 31, 2005 is $20,251 and $1,291,945, respectively. Included in accounts receivables in the water fund are unbilled amounts of $28,211.

G. INVENTORIES

Inventories consist of supplies and are stated at cost. Inventories are accounted for on the first-in, first out (FIFO) method of accounting for inventory. The County uses the consumption method of accounting for inventories under which materials and supplies are recorded as inventory when purchased and are recorded as an expense when used.

H. PREPAIDS

The County accounts for expenditures for insurance and similar services extending over more than one accounting period in governmental funds as expenditures in the period of acquisition.

I. CAPITAL ASSETS

The County chooses to capitalize assets that have a useful life extending beyond one year and exceed the established threshold of $5,000 for infrastructure and for all other assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to January 1, 2004 are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to January 1, 2004. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Vehicles	2-15 years
Machinery and equipment	5-15 years
Office and Computer equipment	3-15 years
Furniture and fixtures	5-20 years
Building improvements	5-20 years
Infrastructure	10-30 years
Buildings	25-50 years
Land Improvements	12-50 years

J. BOND ISSUANCE COSTS

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond issuance costs are being amortized on the straight-line method, over the 40 year life of the bonds. At the government fund reporting level, bond issuance costs are reported as expenditures.

K. DEFERRED COMPENSATION PLANS

The County has a deferred compensation plan (the plan) created in accordance with Internal Revenue Code Section 457. The plan is administered by Pebsco, an independent plan administrator, through and Administrative service agreement. The plan is available to all full time employees. The County does not

contribute to the plan. The employees defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the properly and rights of the participants in the deferred compensation plan.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The County approved plan amendments such that plan assets are held in trust, with the County serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. The County's beneficial ownership of the plan will be held for the exclusive benefit of participants and beneficiaries. The Pickens County deferred compensation plan does not meet the criteria in NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, paragraph 26(3)(8), for inclusion in the financial statements of Pickens County.

The County has no liability for losses under the plan that would be considered material but does have the duty of due care that would be required of an ordinary prudent investor.

L. COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide statements consists of unpaid accumulated annual leave balances. The County offers full-time employees vacation 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. On the government-wide statements vacation pay is accrued and reported as a liability for the governmental activities similar to business-type activities.

M. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Eliminations have been made in the governmental and business-type activities columns of the government-wide statements.

Receipts and/or payments to or from other governmental units not included in the reporting entity of the County are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

N. 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 amounts of revenues and expenditures/expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the government retains the risk of loss. The government periodically monitors the financial institution's level of pledged collateral to ensure that custodial risk is limited. However, as of December 31, 2005, $541,143 of the government's bank balance of $8,024,581 was exposed to custodial credit risk as it was uninsured and uncollateralized.

3. CAPITAL ASSETS

Capital asset activity for 2005 is as follows:

	Beginning of year	Restatements	Increases	Decreases	End of year
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 2,825,163	$ (225,000)	$ -	$ -	$ 2,600,163
Construction in progress	-	1,322,468	7,226,993	-	8,549,461
Total capital assets not being depreciated	2,825,163	1,097,468	7,226,993	-	11,149,624
Capital assets being depreciated:					
Land improvements	597,282	-	7,919	-	605,201
Buildings	6,012,185	(20,000)	81,711	-	6,073,896
Machinery and equipment	3,575,439	-	1,435,343	(301,882)	4,708,900
Furniture and fixtures	22,470	-	-	-	22,470
Infrastructure	482,451	-	369,736	-	852,187
Vehicles	2,967,037	-	319,007	(185,521)	3,100,523
Total capital assets being depreciated	13,656,864	(20,000)	2,213,716	(487,403)	15,363,177
Less accumulated depreciation:					
Land improvements	(180,242)	-	(22,110)	-	(202,352)
Buildings	(1,192,003)	-	(114,119)	3,003	(1,303,119)
Machinery and equipment	(1,158,972)	-	(222,288)	173,613	(1,207,647)
Furniture and fixtures	(3,364)	-	(1,124)	-	(4,488)
Infrastructure	(5,366)	-	(27,961)	-	(33,327)
Vehicles	(1,148,866)	-	(378,339)	169,253	(1,357,952)
Total accumulated depreciation	(3,688,813)	-	(765,941)	345,869	(4,108,885)
Total capital assets being depreciated, net	9,968,051	(20,000)	1,447,775	(141,534)	11,254,292
Governmental activities capital assets, net	$ 12,793,214	$ 1,077,468	$ 8,674,768	$ (141,534)	$ 22,403,916

The above restatements were largely due to the capitalization of prior year construction in progress, and transfers of assets to proprietary funds.

	Beginning of year	Restatements	Increases	Decreases	End of year
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 343,382	$ 225,000	$ -	$ -	$ 568,382
Construction in progress	1,987,732	-	3,827,635	-	5,815,367
Total capital assets not being depreciated	2,331,114	225,000	3,827,635	-	6,383,749
Capital assets being depreciated:					
Buildings	-	191,731	-	-	191,731
Machinery and equipment	510,266	(21,298)	117,019	(149,723)	456,264
Infrastructure	6,060,864	(191,731)	253,694	-	6,122,827
Vehicles	-	93,453	-	(17,885)	75,568
Airport improvements	534,388	-	-	-	534,388
Total capital assets being depreciated	7,105,518	72,155	370,713	(167,608)	7,380,778
Less accumulated depreciation:					
Buildings	-	(80,023)	(3,917)	-	(83,940)
Machinery and equipment	(284,853)	32,487	(44,407)	127,467	(169,306)
Infrastructure	(1,502,761)	82,806	(238,194)	-	(1,658,149)
Vehicles	-	(52,682)	(15,194)	17,885	(49,991)
Airport improvements	(12,469)	-	(21,376)	-	(33,845)
Total accumulated depreciation	(1,800,083)	(17,412)	(323,088)	145,352	(1,995,231)
Total capital assets being depreciated, net	5,305,435	54,743	47,625	(22,256)	5,385,547
Business-type activities capital assets, net	$ 7,636,549	$ 279,743	$ 3,875,260	$ (22,256)	$ 11,769,296

The above restatements were largely due to the transfer of assets from governmental activities, and reclassifications among departments.

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

Business-type activities:	
Water Fund	$ 291,522
Airport Fund	31,566
	$ 323,088

Governmental activities:

General government	$ 90,835
Judicial	2,825
Public safety	383,595
Public works	237,175
Health and welfare	17,528
Culture and recreation	23,369
Housing and development	10,614
Total	$ 765,941

4. INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds

Balances due to/from other funds at December 31, 2005 consist of the following:

$ 542,445	Due to the General Fund from the Water Fund for operating expenses
15,070	Due to the General Fund from the SPLOST Fund for operating expenditures
6,228	Due to the Water Fund from the SPLOST Fund for operating expenditures
123,157	Due to General Fund from nonmajor governmental funds for operating expenditures
6,000	Due to nonmajor governmental funds from General Fund for operating expenditures
$ 692,900	

Expenditures by the General Fund for the benefit of the Water Fund are for operating expenses and will be paid with fee revenue from the Water Fund in the next period. The County expects to repay all interfund balances within one year.

Transfers To/From Other Funds

$ 158,818	Transfer from General Fund to Airport Fund for operating expenditures
4,347	Transfer from Water Fund for equipment and other reimbursements
366,670	Transfer from General Fund to Nonmajor Governmental Funds for operating expenditures
24,284	Transfer from Nonmajor Governmental Funds to General Fund for operating expenditures
$ 554,119	Total Transfers from General Fund

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

5. 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:

Local Government:	
Salary grant administration	$ 2,989
Salary District attorney, assistant and secretary	4,973
Juvenile Court Judge	1,241
Crime Victims	4,147
State government:	
Department of Revenue	470,369
Department of Transportation	30,014
Georgia Planning and Budget	10,440
	$ 524,173

CASA Fund:

Local Government:	
Fannin County	$ 6,000
Gilmer County	6,000
	$ 12,000

Drug Task Force Fund:

Local Government:	
Gilmer County	$ 77,175
Fannin County	77,175
State Government:	
Georgia Bureau of Investigation	127,209
	$ 281,559

SPLOST Fund:

State Government:	
Department of Revenue	$ 662,724

6. RESTRICTED ASSETS

Cash totaling $184,070 in the General Fund is restricted for allocations of fine collections, restricted donations for the recreation building and capital projects. In the SPLOST Fund, assets totaling $5,048,591 (consisting of cash of $4,385,867 and receivables of $662,724) is restricted for capital projects as approved in the 2003 SPLOST voter referendum. Cash totaling $141,369 in the Water Fund is restricted for debt service relating to the revenue bonds and Georgia Environmental Facilities Agency loans. Cash totaling $242,668 in the Fiduciary Funds is restricted for funds held in escrow in a fiduciary capacity.

7. SHORT-TERM DEBT

Governmental activities

The County issued a $1,750,000 tax revenue anticipation note on August 16, 2005, maturing with principal and interest at 3.84% on December 31, 2005. The purpose of the short-term debt is to provide liquidity for governmental operations financed by property taxes which are collected in annual payments. Debt activity for 2005 is as follows:

Amount outstanding at beginning of year	$ -
2005 loan proceeds	1,000,000
2005 principal repayment	(1,000,000)
Amount outstanding at end of year	$ -

Business-type activities:

At December 31, 2005, the County had a temporary loan at a local financial institution in the amount of $2,708,630, which secured financing of the extension of water lines to rural communities. The note was issued in September 2005, with interest accruing at 2.85%. Once the project is complete, permanent financing from USDA will repay the temporary loan.

	Beginning of year	Additions	Reductions	End of year
Jasper Banking Company	$ -	$ 2,708,630	$ -	$ 2,708,630

8. LONG-TERM LIABILITIES

Governmental Activities:

Capital Leases:

Caterpillar Inc., purchase of equipment, original loan amount of $135,000 with an interest rate of 5.5%, monthly payments of $2,090 until maturity of 2007.	$ 44,321
Caterpillar Inc., purchase of equipment, original loan amount of $87,122 with an interest rate of 5%, monthly payments of $1,191 until maturity of 2007.	40,836
Caterpillar Inc., purchase of equipment, original loan amount of $155,478 with an interest rate of 5%, monthly payments of $2,339 until maturity of 2007.	123,208
Caterpillar Inc., purchase of equipment, original loan amount of $115,866 with an interest rate of 5%, monthly payments of $1,857 until maturity of 2007.	89,826
Caterpillar Inc., purchase of equipment, original loan amount of $158,003 with an interest rate of 5.5%, monthly payments of $1,696 until maturity of 2007.	136,911
Caterpillar Inc., purchase of equipment, original loan amount of $158,003 with an interest rate of 5.5%, monthly payments of $1,696 until maturity of 2007.	135,425
Caterpillar Inc., purchase of equipment, original loan amount of $29,775 with an interest of 3.2%, monthly payments of $536 until maturity of 2007.	10,971
Wachovia, purchase of equipment, original loan amount of $555,313 with an interest of 4.9%, annual payments of $123,748 until maturity of 2009.	358,182
Wachovia, purchase of the Federal Building, original loan amount of $448,500 with an interest of 5.38%, annual payments of $70,687 until maturity of 2007.	127,374
ACCG, purchase of the Adult Detention Center, original loan amount of $8,200,000 with an interest of 3.745%, annual payments of $59,354 until maturity of 2020.	7,923,386
Wachovia, purchase of the Judicial and State Patrol Building, original loan amount of $1,930,000 with an interest rate of 5.79%, annual payments start in 2006 until maturity of 2015.	1,930,000
	$ 10,920,440

Business-type Activities:

Bonds Payable:

Series 1995A Water and Sewer System Bonds; dated February 11,1997; original issue of $1,462,300; interest rate of 5 percent per annum, monthly installments of $7,122.	$ 1,344,182

Series 1995B Water and Sewer System Bonds; dated February 11, 1997; original issue of $1,058,700, interest rate of 5 percent per annum, monthly installments of $5,156.	973,219
	$ 2,317,401
Notes Payable:	
Georgia Environmental Facilities Agency, construction of water lines, original loan amount of $100,000 with an interest rate of 2.0% Quarterly payments of $25,506 until maturity of 2017.	$ 860,460
Georgia Environmental Facilities Agency, construction of water lines, original loan amount of $100,000 with an interest rate of 2.0% Quarterly payments of $2,765 until maturity of 2014.	86,242
Georgia Environmental Facilities Agency, construction of water lines, original amount of $1,200,705 with an interest rate of 3.66% Monthly payments of $7,663 until maturity of 2025	1,169,724
	$ 2,116,426
Capital Leases:	
Catepillar Inc., purchase of equipment, original loan amount of $34,578 with an interest rate of 4.5%, Monthly payments of $611 until maturity of 2007.	$ 24,305
Caterpillar Inc., purchase of equipment, original loan amount of $64,404 with an interest rate of 4.5%, Monthly payments of $1,254 until maturity of 2008.	45,201
	$ 69,506

Changes in long-term liabilities for 2005 are as follows:

	Beginning of year	Restatements	Additions	Reductions	End of year	Amounts due within one year
Governmental Activities:						
Capital Leases:						
Capital leases	$ 3,299,106	$ -	$ 8,200,000	$ 578,666	$ 10,920,440	$ 910,835
Other Liabilities:						
Compensated absences	349,507	(249,277)	27,697	-	127,927	-
Landfill postclosure costs	955,070	-	-	31,836	923,234	-
Total, governmental activities	4,603,683	(249,277)	8,227,697	610,502	11,971,601	910,835
Business-type activities:						
Bonds, Notes and Capital Leases:						
Notes payable	1, 887,482	-	323,748	94,804	2,116,426	109,614
Bonds payable	2,342,491	-	-	25,090	2,317,401	32,197
Capital leases	66,443	30,513	-	27,450	69,506	20,258
Total, business-type activities	4,296,416	30,513	323,748	147,344	4,503,333	162,069
Totals	$ 8,900,099	$ (218,764)	$ 8,551,445	$ 757,846	$ 16,474,934	$ 1,072,904

Restatements consist of the correction of errors in prior year relating to (a) the excessive accrual of compensated absences, and (b) overstatement of outstanding principal on bonds and capital leases.

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 by the fund from which the employees' wages are paid. Landfill costs liability will be paid from the General Fund.

Payments of interest and principal related to the notes and bonds payable for the next five years and until maturity are as follows:

	Business-type Activities					
	Notes			*Bonds*		
	Interest	Principal	Total	Interest	Principal	Total
2006	$ 88,329	$ 109,614	$ 198,243	$ 115,139	$ 32,197	$ 147,336
2007	83,340	114,502	197,842	113,492	33,844	147.336
2008	78,220	119,622	197,842	111,760	35,576	147,336
2009	72,858	124,985	197,843	109,940	37,396	147,336
2010	67,241	130,601	197,842	108,027	39,309	147,336
2011-2015	242,339	730,285	972,624	507,828	228,852	736,680
2016-2020	97,598	453,706	551,304	442,981	293,699	736,680
2021-2025	27,086	333,111	360,197	359,759	376,921	736,680
2026-2030	-	-	-	252,956	483,724	736,680
2031-2035	-	-	-	115,888	620,792	736,680
2036-2040	-	-	-	3,488	135,093	138,581
	$ 757,011	$ 2,116,426	$ 2,873,737	$ 2,241,258	$ 2,317,403	$ 4,558,661

	Governmental Activities			*Business-type Activities*		
	Capital leases			*Capital leases*		
	Interest	Principal	Total	Interest	Principal	Total
2006	$ 437,956	$ 910,835	$ 1,348,791	$ 2,122	$ 20,258	$ 22,380
2007	392,555	1,189,237	1,581,792	652	49,248	49,900
2008	350,935	741,309	1,092,244	-	-	-
2009	317,805	676,507	994,312	-	-	-
2010	288,327	679,572	967,899	-	-	-
2011-2015	968,972	3,875,355	4,844,327	-	-	-
2016-2020	237,327	2,847,625	3,084,952	-	-	-
	$2,993,877	$10,920,440	$13,914,317	$ 2,774	$ 69,506	$ 72,280

The County has assets acquired with capital leases with a cost of $96,403 and accumulated amortization of $31,125 used in business-type activities. Assets acquired with capital lease assets with a cost of $982,649 and accumulated amortization of $178,259 for equipment, and a cost of $9,574,054 and accumulated amortization of $102,710 for buildings, are used in governmental activities.

9. DEFICIT FUND BALANCE

The County has a special revenue fund, the Appalachian Pre-trial and Probation Fund, with a deficit balance at December 31, 2005 in the amount of $26,108. The program intends to generate future income to offset this deficit. The General Fund has prior year surplus funds sufficient to provide for the deficit of fund balance in the event that sufficient revenues can not be generated.

10. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

In 1993, the County ceased accepting solid waste at their landfill. The solid waste is accepted at dumpster sites and transported to a location out of the County. The County received their closure certificate December 20, 2004. The County however will continue to incur costs for 30 years after closure to drill and monitor wells and conduct studies as required by EPD.

Management estimates that it will cost approximately $923,234, per engineering reports, in postclosure costs to monitor and maintain the landfill site in future years. Management's estimate of postclosure costs is contingent upon the potential for changes due to inflation or deflation, technology or applicable laws or regulations and its ability to satisfy EPD requirements, and costs could be significantly higher if full compliance is not achieved. Since the landfill is closed, it is considered at full capacity.

Accordingly, of the $923,234, all is recognized in the government-wide statements. These costs will be met with future revenues. There are no assets specifically restricted for this purpose.

11. RISK MANAGEMENT

Pickens 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.

Risk Pools

The County joined various other Georgia counties several years ago to provide workman's compensation insurance at premiums that were considered to be economically justifiable through a public entity risk pool currently operating as a common risk management and insurance program for member local governments under the Authority of the Association County Commissioners of Georgia Group Self-Insurance Workers Compensation Fund. As part of this risk pool, the Government is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The Government is also to allow the pool's agents and attorneys to represent the Government in investigation, settlement discussions and all levels of litigation arising out of any claims made against the Government within the scope of loss protection furnished by the fund.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negation or defense.

The County also carries insurance for all other risks of loss, including general liability and errors and omission coverage through a private insurance company. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. The County carries commercial insurance for risks of loss related to property, general liability, equipment, automobiles and crime to cover torts, theft, of and damage to assets, injuries, errors, and omissions and natural disaster. Significant losses are covered by the commercial insurance underlying these programs. There have been no significant reductions in insurance coverage.

Self Insurance

The County pays unemployment claims to the state department of labor on a reimbursement basis. Liabilities for such claims are immaterial and are not accrued.

12. RETIREMENT BENEFITS

Pickens County contributes to the Association of County Commissioners of Georgia ("ACCG") Defined Benefit plan, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia. ACCG issued a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ACCG, 1100 Circle 75 Parkway, Suite 3000, Atlanta, Georgia, 30339 or by calling (770) 952-5225. Participation under the plan was established under the Association's authority. All full-time employees are eligible to participate in the system after three years of employment, and become vested in the plan after ten years of service. County contributions for, and interest forfeited by employees who leave employment before ten years of service are used to reduce the County's current-period contribution requirement. Only the County, the employer,

makes contributions to the plan. The contributions are computed as a percentage of base pay before overtime, with the contributions percentage being determined by ACCG.

The specific benefit provisions of the County's plan were established by an adoption agreement executed by the County Board of Commissioners. The Plan provides for benefits upon retirement, death, disablement, and termination of employment, if certain eligibility conditions are met.

The annual County contribution to the Plan is determined using the actuarial basis described in the annual valuation report. The current rate is 7.7% of covered payroll. The annual County contribution meets or exceeds the minimum funding requirements of Georgia Statue 47-20.

Participation counts as of January 1, 2006 (the most recent actuarial valuation date) and covered compensation (based on covered earnings for the preceding year) are shown below:

Retirees and beneficiaries receiving benefits	4
Terminated plan participants entitled to but not yet receiving benefits	22
Active employees participating in the Plan	109
Total number of plan participants	135
Covered compensation for active participants	$ 3,388,324

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

Plan members contributions are recognized in the period in which contributions are due. County contributions are recognized when due and the County has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable.

Investments in securities are valued at current market prices. The trust fund is invested, approximately, in 60% equities and 40% fixed income securities on a cost basis. The County is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code sets forth the minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total coverage compensation of active plan participants and are added to the state-required annual funding requirement.

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

Schedule of Accrued Liabilities

1. Actuarial Present Value of Accumulated Plan Benefits	
a. Vested	
i. Retirees (and other in pay status)	$ 136,479
ii. Deferred Vested former employees)	121,215
lii. Vested Active Participants	1,259,601
Total	1,517,295
b. Nonvested	185,448
Total	$ 1,702,743
2. Effect of Future Salary Increases	468,760
3. Total Actuarial Accrued Liability	$ 2,171,503
4. Net Assets Available for Benefits (including receivables)	$ 1,158,720

5. Net Assets in Excess of Actuarial Present Value of Accumulated Plan Benefits $ (544,023)

6. Principal Actuarial Assumptions
   a. Investment Return 8.0%
   b. Rate of Future Salary Increases 5.0%
   (not applicable to Accumulated Plan Benefits calculations)

Trend Information for the Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation
January 1, 2005	$367,362	$269,462	113.5%	$0
January 1, 2004	200,522	N/A	N/A	(30,525)
January 1, 2003	162,402	192,927	119%	0

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of January 1, 2006. The following summarizes the actuarial methods and assumptions used in that valuation and the trend information above:

Valuation Date	January 1, 2006
Actuarial Cost Method	Projected Unit Credit
Asset Valuation Method	Market Value
Amortization Method	Level dollar (closed)
Remaining Amortization Period*	10
Actuarial Assumptions**:	
Assumed Rate of Return on Assets	8% per annum
Projected Future Salary Increases	5% per annum
Cost of Living Adjustments	3% Per annum

* Represents the estimated amortization period for all unfunded liabilities combined into one amortization base.

** The actuarial assumptions shown above include expected inflation of 3.0% per annum.

13. JOINT VENTURES

On January 4, 1995, Pickens County entered into an agreement with Bartow County, Georgia establishing a joint development authority. The County Commissioner of Pickens County and the County Commissioner of Bartow County signed an agreement whereby the "Joint Development Authority of Bartow County and Pickens County" was established for the promotion of business development in each county as well as expanding industry and trade and employment opportunities for citizens of Bartow and Pickens Counties. The Board of Directors of the Joint Development Authority consists of seven members. Three members of the Board are appointed by Bartow County and four members are appointed by Pickens County. As of December 31, 2005, the Joint Development Authority owned no assets and had no liabilities. Also, there have been no financial transactions conducted by the joint Development Authority during 2005. As a result, no balance sheet or income statements are presented in the audited financial statements of Pickens County, Georgia at December 31, 2005.

Pickens County, in conjunction with cities and counties in the thirteen County Northwest Georgia areas are members of the North Georgia Regional Development Center (the "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 County paid annual dues in the amount of $22,055 to the RDC for the year ended December 31, 2005. 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's as "public agencies and instrumentalities of their members". Georgia laws also provide that the member governments are liable for any debts of obligations of an RDC beyond its resources, (O.C.G.A.50-8-39.1). Complete financial statements of the North Georgia Regional Development Center can be obtained directly from their office at:

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

The County is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interest in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities for federal, state, and local entities. The County paid annuals dues in the amount of $2,000 for the year ended December 31, 2005. Separate financial statements can be obtained from their office at:

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

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

14. JOINTLY GOVERNED ORGANIZATIONS

The County, the City of Jasper and the Pickens County Board of Education participate in the Pickens County Department of Public Health (the "Department") whose purpose is to preserve and promote public health in Pickens County. The County appoints four of the department's board seven members. The primary sources of funding for the Department are Georgia Department of Human Resources Grant-in-Aid, charges for services to patients and county supplements. The Department is a discretely presented component unit of Pickens County. During calendar year 2005, the County contributed $81,457 to the Board for operations.

15. COMMITMENTS AND CONTINGENCIES AND SUBSEQUENT EVENT

The County had various agreements and contracts entered into in the normal course of business. Such agreements do not rise to assets of liabilities considered material. In addition, the following contingent liabilities exist:

The County is the recipient of a direct federal grant from the Federal Aviation Administration to be used in the expansion of Pickens County Airport. They also applied for state assistance for a project in the amount of $688,000. The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County as of December 31, 2005.

The County is contingently liable for the notes payable of the Development Authority of Pickens County as conduit in the amount of $4,467,735 as of December 31, 2005.

The County has committed to pay costs incurred in the ordinary conduct of judiciary activities (i.e. Superior, Probate, and Magistrate Courts) under its jurisdiction, these costs, which may vary depending on the circumstances of each case, are recognized as expenditures when incurred.

The County is currently in the process of a new project which involves installing 180,000 linear feet of water lines, a 500,000 gallon water tank, a water treatment plant and development of a new water source. The total estimated cost of this project is $6,240,240. The County will obtain revenue bonds from the United States Department of Agriculture for $4,929,900 and the County will be required to contribute the balance. Part of this contribution will be met with a $499,340 Community Development Block Grant (CDBG) and a $243,300 grant from Appalachian Regional Commission (ARC).

Pickens County entered into an agreement dated June 14, 1999. In this agreement Pickens County and Rural Development, U.S. Department of Agriculture, have agreed to invest/loan funds respectively to Georgia Highlands Community Service Board. Pickens County and Rural Development will share a joint first lien. A default against one is a default against both. Pickens County has invested $400,000 in Community Development Block Grant (CDBG) money. No interest or repayment will be required of Georgia Highlands unless they default on their note to Rural Development or fail to meet requirements of the grant used to fund this project.

16. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The applicable statutes of the State of Georgia require the County to operate under an annual balanced budget adopted by resolution. A budget is defined as being balanced when the sum of estimated net revenues and appropriated fund balance is equal to appropriations. Because the County adopts each of its operating budgets at the department level, the applicable statutes require that total expenditures not exceed the total amount of appropriations at the departmental level. Unspent appropriations lapse at year-end.

Annual budgets are adopted for all governmental funds. The budget is 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. Although not required by state statutes, an operating budget is adopted for proprietary funds for administrative control purposes.

17. HOTEL/MOTEL LODGING TAX

The County has levied a 6% lodging tax. The County has compiled with the provisions of OCGA 48-13-51 of the State of Georgia. A summary of the transactions for the year ending December 31, 2005 is as follows:

Balance of lodging tax at December 31, 2004	$ 66,329
Lodging tax receipts	37,992
Interest Income	699
Disbursements	(34,771)
Balance of lodging tax funds at December 31, 2005	$ 70,249

Documentation was observed to verify that the funds were spent according to state law. Pickens County is required to expend 66.67% of lodging tax receipts for tourism. They met this requirement in 2005. Funds are deposited into a separate checking account and disbursements are also made from this account. During 2005, 67.8% of the current year collections were expended for tourism. Funds on hand at December 31, 2005 will be spent on future projects.

18. PRIOR PERIOD CORRECTIONS

Prior period adjustments to fund balances/net assets were as follows:

Primary Government - Governmental activities

Increase (Decrease)	
$ (221,273)	Pension obligation accrual was understated.
12,273	Requirements to include the Special Revenue Funds were met, and, therefore, an adjustment for the beginning fund balances was reflected in the following amounts:

VAWA Fund	$ (2,363)
APP Fund	(19,088)
ADC Fund	13,389
PSSF Fund	533
FDC Fund	1,028
CASA Fund	18,774
	$ 12,273

178,069	Deferred revenue for unearned grant revenues was overstated.
70,192	Accrual of Intergovernmental receivables was understated.
154,772	Bank accounts for forfeitures, escrows, and other purposes in the Drug Task Force Fund were not included and therefore, assets were understated.
194,033	*Net increase adjustment to Fund Balance in governmental activities*
249,277	Overstatement of accrued leave.
955,070	Overstatement of liability for bonds and capital lease obligations.
(188,261)	Overstatement of grant revenues.
1,322,468	Capitalization of construction in progress was not reflected in capital assets.
(245,000)	Overstatement of certain capital assets.
369	Miscellaneous understatements (overstatements).
$2,287,956	*Net increase adjustment to Net Assets in governmental activities*

Primary Government - Business-type activities

Increase (Decrease)	
$ (9,597)	Pension obligation accrual was understated in the Water Fund.
276,348	Understatement of the cost of land and equipment, net of depreciation.
$ 266,751	*Net increase adjustment to Net Assets in business-type activities*

Component Unit – Development Authority

Increase (Decrease)	
$ 171,689	Capitalization of interest and other expenses relating to capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

PICKENS COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Property taxes	$ 6,655,571	$ 6,605,761	$ 6,605,761	$ -
Franchise taxes	58,000	79,178	79,178	-
General sales and use tax	2,402,000	2,904,381	2,904,381	-
Business taxes	1,024,000	1,179,790	1,179,790	-
Licenses and permits	574,750	633,470	633,470	-
Intergovernmental	1,503,653	765,037	765,037	-
Charges for services	1,614,150	2,096,613	2,096,613	-
Fines and forfeitures	452,000	374,088	374,088	-
Interest income	25,000	26,194	26,194	-
Miscellaneous	24,850	75,713	75,713	-
Total Revenues	14,333,974	14,740,225	14,740,225	-
Expenditures:				
Current:				
General government:				
Legislative	51,561	151,821	151,821	-
Commissioner	105,307	98,888	98,888	-
Board of elections	121,209	92,178	92,178	-
General administration	912,602	137,931	137,931	-
Financial administration	111,407	89,521	89,521	-
Accounting	122,167	81,455	81,455	-
Human resources	-	35,835	35,835	-
Law	61,025	78,318	78,318	-
Tax commissioner	436,543	435,938	435,938	-
Tax assessor	389,656	334,235	334,235	-
Internal audit	-	41,595	41,595	-
General government buildings	314,285	228,548	228,548	-
Public Information	145	126	126	-
Special project	-	16,727	16,727	-
General administration fees	23,340	25,611	25,611	-
Total general government	2,649,247	1,848,727	1,848,727	-
Judicial:				
Judicial administration	38,438	38,718	38,718	-
Superior court	201,794	140,063	140,063	-
Visitation center	11,196	5,116	5,116	-
Clerk of superior court	367,178	414,610	414,610	-
District attorney	356,964	184,709	219,264	(34,555)
Magistrate court	196,089	192,758	192,758	-
Probate court	226,497	217,754	217,754	-
Juvenile court	451,452	315,801	324,801	(9,000)
Grand jury	-	6,904	6,904	-
Law library	55	54	54	-
Public defender	280,000	322,730	322,730	-
Total judicial	2,129,663	1,839,217	1,882,772	(43,555)
Public safety:				
Public safety administration	70,890	65,272	65,272	-
Sheriff	123,273	123,917	123,917	-
Law enforcement administration	262,178	324,857	324,857	-
Criminal investigation	267,743	302,562	302,562	-
Drug task force	343,788	-	-	-
Uniform patrol	815,176	886,606	886,606	-
Jail operations	1,048,541	1,309,953	1,309,953	-
Special detail services	44,731	50,669	50,669	-
Sheriff office and building	713,154	69,696	69,696	-
Emergency medical services	103,306	231,059	231,059	-
Adult probation and parole	382,657	15,655	15,655	-
Fire fighting	169,900	181,727	181,727	-
Fire stations and building	1,090	1,488	1,488	-
EMS administration	109,055	109,160	109,160	-
EMS operations	971,517	1,004,677	1,004,677	-
EMS stations and buildings	37,863	26,967	26,967	-
Coroner	37,210	24,188	24,188	-
Animal rescue	14,000	12,000	12,000	-
Emergency management agency	9,000	5,001	5,001	-
Total public safety	5,525,072	4,745,454	4,745,454	-
Public works:				
Public works administration	72,463	15,098	15,098	-

The accompanying notes to RSI are an integral part of this statement.

PICKENS COUNTY, GEORGIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended December 31, 2005

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Highways and streets	114,288	128,068	128,068	-
Roadways and walkways	1,136,802	1,051,447	1,070,553	(19,106)
Paved streets	-	15,677	15,677	-
Unpaved Streets	50,000	184,159	184,159	-
Sidewalks and crosswalks	-	-	-	-
Bridges	20,000	240,334	240,334	-
Street Lighting	5,400	5,863	5,863	-
Traffic engineering	67,936	52,731	52,731	-
Solid waste/recycling administration	428,886	477,159	477,159	-
Public Education	26,075	27,287	27,287	-
Maintenance and shop	140,844	131,945	131,945	-
Total public works	2,062,694	2,329,768	2,348,874	(19,106)
Health and welfare:				
Public health	82,367	82,595	82,595	-
Regulation and inspection	706	706	706	-
Buildings and plant	5,844	3,303	3,303	-
Welfare/other direct assistance	21,000	21,142	21,142	-
Senior citizens center	15,062	15,330	15,330	-
Transportation Services	59,999	125,209	125,209	-
Total health and welfare	184,978	248,285	248,285	-
Culture and recreation:				
Recreation	129,839	128,916	128,916	-
Participation Recreation	102,617	89,716	89,716	-
Recreation Centers	17,146	12,984	12,984	-
Playgrounds	4,000	895	895	-
Swimming pools	30,622	15,915	15,915	-
Other recreational facilities	2,900	3,878	3,878	-
Spectator recreation	3,950	2,422	2,422	-
Special facilities	24,891	25,975	25,975	-
Park areas	251,672	115,983	115,983	-
Park lighting	5,400	3,251	3,251	-
Libraries	212,427	219,159	219,159	-
Total culture and recreation	785,464	619,094	619,094	-
Housing and development:				
County agent	17,198	4,473	4,473	-
Agricultural resources	72,520	46,338	46,338	-
Building inspection	194,315	162,114	162,114	-
Planning and zoning	240,044	267,134	267,134	-
Assistance administration	236,009	69,543	69,543	-
Total housing and development	760,086	549,602	549,602	-
Debt service:				
Principal	270,159	281,855	284,919	(3,064)
Interest	55,985	187,888	165,889	21,999
Total debt service	326,144	469,743	450,808	18,935
Total Expenditures	14,423,348	12,649,890	12,693,616	(43,726)
Excess (deficiency) of revenues over expenditures	(89,374)	2,090,335	2,046,609	(43,726)
Other Financing Sources (Uses)				
Contributions and donations	3,000	100	100	-
Proceeds from capital leases	-	-	-	-
Transfers in	590,000	30,150	12,284	(17,866)
Transfers out	(513,626)	(583,670)	(509,141)	74,529
Proceeds from sale of assets	10,000	46,622	46,622	-
Total other financing sources and uses	89,374	(506,798)	(450,135)	56,663
Excess of Revenues and Other Sources over (under) Expenditures and other uses	-	1,583,537	1,596,474	12,937
Fund Balance - beginning of year	6,756,402	6,756,402	6,756,402	-
Prior period adjustment	-	-	(203,586)	(203,586)
Fund Balance - end of year	$ 6,756,402	$ 8,339,939	$ 8,149,290	$ (190,649)

The accompanying notes to RSI are an integral part of this statement.

PICKENS COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended December 31, 2005

1. BUDGETARY PROCESS

The budgetary data reflected in the financial statements are established and adopted by the Commissioner based on prior year actual results and estimated current needs. Any change to original budgeted items must be approved by the Commissioner. 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 the 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. All budget amendments during the fiscal year were approved by the County Commissioner.

On or before August 15 of each 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 Commissioner 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.

A. INITIAL AND FINAL BUDGET

GENERAL FUND	Initial Budget	Final Budget	Changes
Revenues	$ 14,936,974	$ 14,817,097	$ (119,877)
Expenditures	14,936,974	13,233,560	(1,703,414)
Excess (deficit)	$ -	$ 1,583,537	$ 1,583,537

B. BUDGET EXCEEDED APPROPRIATED AMOUNTS

During the fiscal year 2005, some expenditures exceeded appropriated amounts as shown in the individual fund financial statements. The management of the County intends to generate future income to offset the current year's excess expenditures. The following departments exceeded budgets amounts by a minimum of $3,000 as indicated below:

District attorney	$ 34,555
Juvenile court	9,000
Roadways and walkways	19,106
	$ 62,661

PICKENS COUNTY, GEORGIA
SCHEDULE OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
For the Fiscal Year Ended December 31, 2005

Analysis of Funding Progress

Measurement Date	(1) Actuarial Value of Assets	(2) Actuarial Value Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) – (1)	(5) Annual Covered Payroll (prior year)	(6) UAAL as of Percentage of Covered Payroll (4) / (5)
12/31/2003	$ 668,503	$1,448,557	46.2%	$ 779,992	$2,417,429	32.3%
12/31/2004	$ 878,878	$1,782,690	49.3%	$ 903,812	$2,987,367	30.3%
12/31/2005	$1,158,720	$2,171,503	53.4%	$1,012,783	$3,388,324	29.9%

Analysis of the dollar amounts of actuarial value of assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

OTHER SUPPLEMENTARY INFORMATION

PICKENS COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2005

EXHIBIT C-1

	E911	DRUG TASK FORCE	REVOLVING LOAN	HOTEL/MOTEL	ADULT DRUG COURT	APPALACHIAN PRE-TRIAL AND PROBATION	CASA	VICTIMS OF CRIME ASSISTANCE	DOMESTIC VICTIMS VISITATION	FAMILY DRUG COURT	Total Nonmajor Governmental Funds
Assets											
Cash and cash equivalents	$ 168,274	$ 125,476	$ 85,856	$ 70,249	$ 25,166	$ 7,516	$ 18,068	$ 106,035	$ 9,318	$ 1,028	$ 616,986
Investments	-	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	6,000	-	-	-	6,000
Receivable from other governments	-	281,559	-	-	-	-	12,000	-	-	-	293,559
Other receivables	29,750	-	86,784	1,940	4,447	17,123	4,908	1,003	3,500	-	149,455
Total Assets	$ 198,024	$ 407,035	$ 172,640	$ 72,189	$ 29,613	$ 24,639	$ 40,976	$ 107,038	$ 12,818	$ 1,028	$ 1,066,000
Liabilities and Fund Balances											
Liabilities:											
Accounts payable	$ 7,186	$ 5,709	$ -	$ 6,413	$ 4,565	$ 1,796	$ 1,175	$ 15,680	$ 440	$ -	$ 42,964
Due to other funds	-	42,809	-	-	11,959	48,951	17,621	-	1,817	-	123,157
Other payables	-	22,090	-	-	-	-	-	-	-	-	22,090
Total Liabilities	7,186	70,608	-	6,413	16,524	50,747	18,796	15,680	2,257	-	188,211
Fund Balances:											
Unreserved	190,838	336,427	172,640	65,776	13,089	(26,108)	22,180	91,358	10,561	1,028	877,789
Total Fund Balances	190,838	336,427	172,640	65,776	13,089	(26,108)	22,180	91,358	10,561	1,028	877,789
Total Liabilities and Fund Balances	$ 198,024	$ 407,035	$ 172,640	$ 72,189	$ 29,613	$ 24,639	$ 40,976	$ 107,038	$ 12,818	$ 1,028	$ 1,066,000

PICKENS COUNTY, GEORGIA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2005

EXHIBIT C-2

	E911	DRUG TASK FORCE	REVOLVING LOAN	HOTEL/MOTEL	ADULT DRUG COURT	APPALACHIAN PRE-TRIAL AND PROBATION	CASA	VICTIMS OF CRIME ASSISTANCE	DOMESTIC VICTIMS VISITATION	FAMILY DRUG COURT	Total Nonmajor Governmental Funds
Revenues:											
Taxes	$ -	$ -	$ -	$ 38,233	$ -	$ -	$ -	$ -	$ -	$ -	$ 38,233
Fines and forfeitures	-	11,518	-	-	1,828	-	-	-	-	-	13,346
Intergovernmental	-	353,948	-	-	8,932	17,271	135,691	206,403	25,660	-	747,905
Charges for services	400,490	-	-	-	48,015	846,863	-	-	-	-	1,295,368
Investment earnings	260	3,050	5,439	699	216	78	-	852	-	-	10,594
Miscellaneous	-	401	-	-	450	-	665	-	7,825	-	9,341
Total Revenues	400,750	368,917	5,439	38,932	59,441	864,212	136,356	207,255	33,485	-	2,114,787
Expenditures:											
Current:											
General government	-	-	-	4,033	-	-	-	-	-	-	4,033
Public safety	679,168	360,285	-	-	-	-	-	-	-	-	1,039,453
Judicial	-	-	-	-	59,741	871,232	144,950	113,534	23,457	-	1,212,914
Housing and development	-	-	-	37,151	-	-	-	-	-	-	37,151
Capital Outlay	-	38,323	-	-	-	-	-	-	-	-	38,323
Total Expenditures	679,168	398,608	-	41,184	59,741	871,232	144,950	113,534	23,457	-	2,331,874
Excess of Revenues over (under) Expenditures Before Other Financing Sources (Uses)	(278,418)	(29,691)	5,439	(2,252)	(300)	(7,020)	(8,594)	93,721	10,028	-	(217,087)
Other Financing Sources:											
Transfers in	351,536	3,134	-	-	-	-	12,000	-	-	-	366,670
Transfers out	-	(24,284)	-	-	-	-	-	-	-	-	(24,284)
Total Other Financing Sources (Uses)	351,536	(21,150)	-	-	-	-	12,000	-	-	-	342,386
Excess of Revenues over (under) Expenditures	73,118	(50,841)	5,439	(2,252)	(300)	(7,020)	3,406	93,721	10,028	-	125,299
Fund balances - beginning of year	132,451	(12,809)	167,201	68,028	-	-	-	-	-	-	354,871
Prior period adjustment	(14,731)	400,077	-	-	13,389	(19,088)	18,774	(2,363)	533	1,028	397,619
Fund balances - end of year	$ 190,838	$ 336,427	$ 172,640	$ 65,776	$ 13,089	$ (26,108)	$ 22,180	$ 91,358	$ 10,561	$ 1,028	$ 877,789

EXHIBIT D-1

PICKENS COUNTY, GEORGIA
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
December 31, 2005

	Clerk of Superior Court	Judge Probate Court	Magistrate Court	Sheriff	Tax Assessor	Tax Commissioner	Combined Totals
Assets							
Cash	$ -	$ 15,302	$ 1,139	$ 4,910	$ 2,529	$ 2,334,227	$ 2,358,107
Restricted cash	238,467	-	-	4,201	-	-	242,668
Due from others	-	-	-	-	-	-	-
Total Assets	$ 238,467	$ 15,302	$ 1,139	$ 9,111	$ 2,529	$ 2,334,227	$ 2,600,775
Liabilities							
Cash over draft	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Funds held in trust	-	-	-	-	-	-	-
Due to others	238,467	15,302	1,139	9,111	2,529	2,334,227	2,600,775
Total Liabilities	$ 238,467	$ 15,302	$ 1,139	$ 9,111	$ 2,529	$ 2,334,227	$ 2,600,775

EXHIBIT D-2

PICKENS COUNTY, GEORGIA
COMBINING SCHEDULE OF RECEIPTS AND DISBURSEMENTS
AGENCY FUNDS
For the Fiscal Year Ended December 31, 2005

	Clerk of Superior Court	Judge of Probate Court	Magistrate Court	Sheriff	Tax Assessor	Tax Commissioner	Total
Receipts:							
Taxes	$ -	$ -	$ -	$ -	$ 12,889	$ 23,058,902	$ 23,071,791
Licenses and permits	-	14,812	-	-	-	-	14,812
Fines and forfeitures	145,211	165,738	18,880	-	-	-	329,829
Charges for services	376,989	211,119	68,707	103,485	-	-	760,299
Other income	602,603	-	120,501	142,319	-	3,782	869,205
Total Receipts	1,124,802	391,669	208,088	245,804	12,889	23,062,684	25,045,936
Disbursements:							
State of Georgia	219,457	50,849	24,369	-	-	1,155,818	1,450,493
Pickens County Board of Education	-		-	-	-	14,220,760	14,220,760
Pickens County Law Library	5,733	11,500	5,310	-	-	-	22,543
Pickens County Jail Fund	-	16,425	1,105				17,530
Vital Records	-	12,380	-	-			12,380
Retirement:							
Superior Court Clerks'	10,917	-	-	-	-	-	10,917
Probate Judges'	-	5,238	-	-	-	-	5,238
Sheriffs'	1,320	4,386	-	-	-	-	5,706
Peace officers'	6,836	11,110	-	-	-	-	17,946
General fund	526,145	250,064	30,537	118,311	12,168	6,800,883	7,738,108
Payment to third parties	209,958	23,504	147,624	77,440	-	79,875	538,400
Miscellaneous	88,431	3,017	1,304	57,386	-	118	150,255
Total Disbursements	1,068,798	388,472	210,249	253,136	12,168	22,257,454	24,190,277
Net Receipts over (under) Disbursements	56,004	3,197	(2,161)	(7,332)	721	805,230	855,659
Balances, beginning of year	182,463	12,105	3,300	16,443	1,808	1,528,997	1,745,116
Balances, end of year	$ 238,467	$ 15,302	$ 1,139	$ 9,111	$ 2,529	$ 2,334,227	$ 2,600,775

LAND
& ASSOCIATES, P.C., CPAs

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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*

The Honorable Robert P. Jones
Commissioner of Roads and Revenues of
Pickens County, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia, as of and for the year ended December 31, 2005, which collectively comprise Pickens County, Georgia's basic financial statements and have issued our report thereon dated December 15, 2006. 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. We did not audit the financial statements of Pickens County Department of Public Health, which represents 10 percent, 65 percent, and 76 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for the Pickens County Department of Public Health, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pickens County, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pickens County, Georgia's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-1, 03-2, 04-1, and 05-1 through 05-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pickens 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.*

This report is intended solely for the information and use of the Commissioner, management, others within the organization, 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
December 15, 2006

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

The Honorable Robert P. Jones
Commissioner of Roads and Revenues of
Pickens County, Georgia

Compliance

We have audited the compliance of Pickens 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, 2005. Pickens 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 Pickens County, Georgia's management. Our responsibility is to express an opinion on Pickens 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 Pickens 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 Pickens County, Georgia's compliance with those requirements.

In our opinion, Pickens County, Georgia, complied, in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Pickens County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with requirements of law, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered

Pickens County, Georgia's internal control over compliance with 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirement of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commissioner, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Lowe & Associates, P.C., CPAs

Ellijay, Georgia
December 15, 2006

PICKENS COUNTY, GEORGIA **EXHIBIT E-1**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended December 31, 2005

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency Pass-through or Grantor Account Number	Federal Expenditures
U.S. Department of Homeland Security			
Pass-through programs from:			
Georgia Emergency Management Agency	97.042		$ 4,963
Georgia Emergency Management Agency	97.042	1554-dr-ga	22,244
			27,207
U.S. Department of Health & Human Services			
Pass through programs from:			
Georgia Department of Human Resources			
Promoting Safe and Stable Families	93.556	MOU 200511200047	14,443
Promoting Safe and Stable Families	93.556	MOU 200611200039	11,217
Promoting Safe and Stable Families	93.556	MOU	30,818
Promoting Safe and Stable Families	93.556	MOU 200606100045	20,415
			76,893
U.S. Department of Housing and Urban Development			
Pass-through programs from:			
*Georgia Department of Community Affairs:			
Community Development Block Grant -			
Public Facility -Water System Improvements	23.002	03P-Y-112-1-2839	33,212
U.S.D.A. Rural Development:			
ARC Grant	23.002	-	133,122
U.S. Department of Transportation:			
Direct program:			
Federal Aviation Administration	20.106	3-13-0124-10	56,096
Pass-through program from:			
Georgia Department of Transportation:			
Section 5311 Rural			
Public Transportation	20.509	GA-18-9024	50,337
			106,433
U.S. Department of Justice:			
Pass-through programs from:			
Council of Juvenile Court Judges of Georgia			
Juvenile Accountability Incentive Block Grants	16.523	03B-ST-0003	4,577
Juvenile Accountability Incentive Block Grants	16.523	03B-ST-0001	270
Criminal Justice Coordinating Council			
*Edward Byrne Memorial Formula Grant Program	16.579	B04-8-044	117,676
*Edward Byrne Memorial Formula Grant Program	16.579	B05-8-013	127,209
Victims of Child Abuse	16.547	2004-VA-GX-0004	35,110
Victims of Child Abuse	16.547	C05-8-099	15,372
Violence Against Women Formula Grants	16.588	W04-8-018	63,750
			363,964
Total Expenditures of Federal Awards			$ 740,831

Notes of Significant Accounting Policies:
The Schedule of Expenditures of Federal Awards is on the accrual basis, which is the same basis as the financial statements.

*indicates a major program

PICKENS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended December 31, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Pickens County, Georgia.

2. Reportable conditions were identified and disclosed during the audit of the financial statements, but none were considered to be a material weakness.

3. No instances of noncompliance material to the financial statements were disclosed during the audit.

4. No reportable conditions were disclosed during the audit of the major federal award program.

5. The auditor's report on compliance for the major federal award programs for Pickens County, Georgia expresses an unqualified opinion.

6. Audit findings relative to the major federal award program for Pickens County, Georgia are reported in part C of this Schedule.

7. Programs tested as major programs consisted of:

   Appalachian Drug Task Force- Edward Byrne Memorial Formula Grant Program CFDA#16.579

8. The major program was determined to be a Type B program. The dollar threshold to distinguish between Type A and Type B programs is $300,000.

9. Pickens County, Georgia qualifies to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

All Officials and Departments

03-1. *Repeat finding* - Ideally, the County should segregate the duties of cash handling and bookkeeping to prevent those handling cash from having access to the accounting records. Also, the personnel performing the general accounting/general ledger/ journal entry functions should not be involved in the detail recording functions of accounts receivable, accounts payable, or purchasing. Currently, due to the limited number of employees, some of these duties are over-lapping. This presents a weakness in the County's controls, which might provide an opportunity for an employee to mishandle funds or records. In situations where additional personnel are not available, an effort should be made to divide the duties of the available personnel in such as to achieve the greatest possible segregation of duties. Increased Commissioner or elected officials 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. Management agrees with this finding and plans to divide duties among present personnel as much as possible, since total segregation of duties is not practical at this time. The Commissioner and elected officials plan to continue close involvement with the County's finances to aid in this matter.

Water Fund

03-2. *Repeat finding* - The County has had a decrease in the number of gallons of water lost or unaccounted for over the prior audit period, however this still needs to be monitored closely. Potential revenues lost and water shortages are reasons improvements are needed. Possibly, repairs to old water lines could improve these missing gallons treated but not sold. Preventive maintenance and inspection of water lines could prevent some water loss. The County may consider the cost benefit of whether to replace or make improvements to some of the water lines based on the County's history of water losses. Tracking where water loss occurs at the highest rate would provide data for future decision-making.

05-1. We noted where current billing rates entered into the computer system are inaccurate, and therefore, a loss of revenue has occurred. We feel that continual monitoring of the rates and the resulting calculation of water billings should be implemented. By maintaining accurate information in the computer, the County could better its profits and financial position and avoid costly mistakes.

Land Development Office

05-2. During our tests of fee collections, we found instances where incorrect fees had been charged. This lack of process will have a direct impact on the revenue collections. Employees should be supplied with a current fee schedule established by the County's building code guidelines, and a responsible person should monitor billings throughout the year.

Probate Judge

04-1. *Repeat finding* - The Probate Judge's office is currently holding funds for at least one week before making a deposit at the bank. This increases the risk that cash could be misappropriated resulting in a material loss for the County. Cash receipts should be restrictively endorsed and deposited into the bank as quickly as possible (preferably, several times weekly) to mitigate the risk of loss related to possible mishandling or misplacement of assets.

Sheriff

05-3. During our audit, we noted that not all of the "void" violation tickets were retained by the County. The officers are required to retain all five copies of tickets to ensure complete and proper disposition of the ticket. We recommend that all copies of voided tickets remained intact and be defaced or marked as "void".. This practice allows a certain loss of control over the ticket accountability process and the possibility that a voided ticket might not be voided at all. All "void" tickets should be retained and accounted for in numerical sequence.

Clerk of Court

05-4. We noted there is a considerable delay in posting cash receipts to the computer. Daily cash control sheets should be utilized and compared to the daily computer transaction printouts to verify that transactions have been properly processed. We recommend that someone who is separate from the cash receipts function compare and reconcile deposit slips to the cash receipts register to

ensure that all the receipts were deposited intact and on a timely basis. An employee independent of cash processing should compare the total to the cash control sheet. By establishing this procedure, the County will be able to more accurately track all incoming cash and strengthen its system of internal controls over cash receipts.

COMPLIANCE FINDINGS

General Fund

05-5. We noted that Christmas bonuses were not included in the employee's annual W-2 reporting, nor included in the employer tax reporting. Therefore, FICA, federal or state withholding tax was not withheld from Christmas bonus payments made to employees, nor was employer FICA match remitted. Reporting of the bonus as compensation is required and taxes required to be withheld for all payments of compensation. Failure to follow this practice could result in the assessment of penalty charges against employees for the underpayment of individual income taxes, and it could result in a potential liability to the County. We suggest that this practice be discontinued except for those situations that are clearly within the regulations where non-withholding is allowable.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings were noted.

PICKENS COUNTY, GEORGIA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended December 31, 2005

Finding	Status
#04-6	Corrected.

PICKENS COUNTY, GEORGIA
SCHEDULE OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Fiscal Year Ended December 31, 2005

EXHIBIT F-1

Project	Original Estimated Cost	Expenditures Prior Year	Expenditures Current Year	Expenditures Total	Estimated % of Completion
Paid from Capital Projects Funds:					
SPLOST:					
Fire department equipment, fire trucks and construction of new fire houses	$ 2,250,000	$ 426,026	$ 1,384,849	$ 1,810,875	80%
Emergency Medical Services purchase new ambulances and equipment and construction of new EMS facilities	1,250,000	219,456	60,750	280,206	22%
Emergency 911 improvements to facilities	450,000	454,748	-	454,748	101%
Sheriff department (Note B) remodeling and upgrading Detention Facilties and upgrade Sheriff facilities	6,000,000	1,576,199	4,423,801	6,000,000	100%
Water department to finance improvements of existing water department facilities and water lines	4,500,000	71,110	-	71,110	2%
Road department to finance the paving and resurfacing new and existing roads, streets, and bridges	7,550,000	393,049	272,449	665,498	9%
	$ 22,000,000	$ 3,140,588	$ 6,141,849	$ 9,282,437	

Note A: The SPLOST Schedule has been prepared on the modified accrual basis.
Note B: Current year expenditures for this project totaled $7,778,861, of which $3,355,060 was from financing sources other than SPLOST revenues.