PICKENS COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

INTRODUCTORY SECTION

PICKENS COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

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PICKENS COUNTY, GEORGIA

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FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Pickens County, Georgia** (the "County"), as of and for the year ended December 31, 2006, which collectively comprise Pickens County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pickens County Department of Public Health, which statements reflect total assets of $640,559 as of June 30, 2006, and total revenues of $622,660 for the year ended June 30, 2006. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Pickens County Department of Public Health in the component unit column, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2008, on our consideration of Pickens County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 8) and the budgetary comparison information and schedule of funding progress (on pages 46 through 49 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding 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 fund financial statements and schedules, Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of Pickens County, Georgia. The combining and individual fund financial statements and schedules, the Schedule of Expenditures of Federal Awards, and the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 4, 2008

PICKENS COUNTY, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

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, 2006.

USING THE AUDIT

The audit of Pickens County, Georgia for the fiscal year ended December 31, 2006 is the third 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 9 and the Statement of Activities begins on page 10. These statements include all assets and liabilities using the accrual method. By using this method, the County accounts for revenues and expenses 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 2006, the County finalized construction of a new Adult Detention Center with SPLOST revenues and was occupied with inmates in January 2006. The County continued to purchase equipment for fire protection. Road improvements were also made with SPLOST revenues. A water meter change out program was also implemented in the 4th quarter of 2006.

During 2006, as an activity of the General Fund: the County also made road improvements, such as the installation of a 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 Harmony School Road for the new school. Pickens County also initiated the possibility of consolidating services into one location by selling two buildings. The building formally known as the Side Bar Grill and the Landrum Federal Building were sold for $1.2 million, in which the part of the proceeds went to repay the buildings respective debt. The purchase of one complex, the former location of Piedmont Mountainside Hospital at 1266 East Church Street, which has two buildings, was purchased for $1.275 million, with a renovated value of $3.2 million. The two buildings with over 37,000 square foot of space combined allowed the Offices of the Commissioner, Tax Commissioner, Tax Assessor, Water, Planning and Development, Elections and others to move to one location, while Court related offices remain at the Courthouse and Annex, located on Main Street. In addition, the County continued its long-range water study to ensure sufficient water sources and distribution for the next 20 years and continued to explore feasibility and advisability of private waste water sewerage treatment facilities.

REPORTING THE COUNTY'S FUNDS

The Fund Financial Statements begin on page 11. 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, E-911 Fund and Drug Task Force Fund, among other nonmajor governmental funds. 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 E911 Center. The Drug Task Force Fund represents the local intergovernmental task force. 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 below presents the County's condensed Statement of Net Assets as of December 31, 2006 as it compares to the previous fiscal year.

Table 1: Condensed Statement of Net Assets

	Governmental Activities 2006	Business-type Activities 2006	Total 2006	Total 2005
Assets				
Current assets	$ 19,750,992	$ 458,984	$ 20,209,976	$ 15,601,334
Capital assets	26,060,505	13,079,101	39,139,606	33,982,721
Other non-current assets	121,566	10,991	132,557	104,060
Total assets	45,933,063	13,549,076	59,482,139	49,688,115
Liabilities				
Other liabilities	2,027,937	1,604,106	3,632,043	5,506,499
Long-term liabilities	13,038,381	8,691,623	21,730,004	16,474,933
Total liabilities	15,066,318	10,295,729	25,362,047	21,981,432
Net Assets				
Invested in capital assets, net of related debt	13,502,524	4,410,632	17,913,156	15,850,319
Restricted	6,274,827	-	6,274,827	4,910,700
Unrestricted	11,089,394	(1,157,285)	9,932,109	6,945,664
Total net assets	$ 30,866,745	$ 3,253,347	$ 34,120,092	$ 27,706,683

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. 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 $4.3 million as of December 31, 2006. Restricted cash for Governmental Activities was $7.975 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 $65,760 of cash on hand for use in operations, with $159,767 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, 2006.

Table 2: Condensed Statement of Activities

	Governmental Activities 2006	Business-type Activities 2006	Total 2006	Total 2005
Revenues				
Program revenues				
Charges for services	$ 5,509,296	$ 1,893,550	$ 7,402,846	$ 6,337,503
Operating grants & contributions	1,894,928	134,868	2,029,796	1,807,280
Capital grants & contributions	428,880	-	428,880	-
General revenues				
Property taxes	6,833,095	-	6,833,095	6,495,696
Sales taxes	7,585,874	-	7,585,874	6,714,159
Other taxes	1,782,049	-	1,782,049	1,333,022
Other revenues	669,654	105,083	774,737	199,776
Total revenues	24,703,776	2,133,501	26,837,277	22,887,436
Expenses				
General government	2,325,631	-	2,325,631	2,015,747
Judicial	3,192,167	-	3,192,167	3,089,720
Public safety	8,303,608	-	8,303,608	6,257,813
Public works	2,243,628	-	2,243,628	2,422,590
Health and welfare	186,769	-	186,769	265,813
Recreation	690,418	-	690,418	633,914
Housing and development	776,274	-	776,274	566,207
Interest on long-term debt	424,529	-	424,529	161,648
Water fund	-	2,056,153	2,056,153	1,611,857
Airport fund	-	224,691	224,691	210,384
Total expenses	18,143,024	2,280,844	20,423,868	17,235,693
Increase (decrease) in net assets before transfers	6,560,752	(147,343)	6,413,409	5,651,743
Transfers	(42,067)	42,067	-	-
Change in net assets	6,518,685	(105,276)	6,413,409	5,651,743
Beginning net assets before restatement	24,532,785	3,445,445	27,978,230	19,771,780
Prior period adjustments	(184,725)	(86,822)	(271,547)	2,283,160
Beginning net assets after restatement	24,348,060	3,358,623	27,706,683	22,054,940
Ending net assets	$ 30,866,745	$ 3,253,347	$ 34,120,092	$ 27,706,683

During the year ending December 31, 2006, the net assets of the government activities increased $6.5 million. The business-type activities decreased $.105 million.

Approximately 28% of the County's revenues came from property taxes and approximately 38% came from other taxes. Licenses and permits attributed 4.5% of the County's revenue. Charges for services attributed 15.5% of the County's revenue while operating grants and contributions included 12%; the remaining 1% of the County's revenue is from miscellaneous items.

For the business-type activities, charges for services were 89% of total revenues with 6% coming from operating grants and contributions and the remaining 5% from interest and miscellaneous revenues.

The County's expenses cover a wide range of services offered to the citizens with 13% related to general government, 18% to judicial, 46% to public safety, 12% to public works, 1% to health and welfare, 4% to recreation, 4% to housing/development and the remaining 2% for interest on long-term debt.

The General Fund is the main operating fund of the County. At the end of December 31, 2006, the net change was $2,262,246, bringing the ending unreserved fund balance to $10,263,536. Fund balance does not represent cash or cash equivalents available.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2006, the County did revise the budget. The most significant revision was approximately $2.9 million for General Government Buildings to recognize the anticipated expenditures for the new leased administrative center. The Budget was adopted prior to December 31. Please refer to Note 3 for further information on the budgeting process.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The County reported approximately $26.06 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 $13.079 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 6 in the financial statements for additional information regarding capital assets.

The County reported approximately $13 million in long-term debt for governmental activities. Business-type activities reported approximately $8.6 million in long-term debt. Please refer to Note 8 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@pickenscountyga.gov or the following address:

Mechelle F. Champion
Finance Director/Internal Auditor
Pickens County Government
1266 East Church Street, Suite 175
Jasper, GA 30143

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	$ 12,275,579	$ 225,527	$ 12,501,106
Investments	-	-	-
Taxes receivable	4,864,492	-	4,864,492
Accounts receivable, net of allowances	913,709	140,034	1,053,743
Notes receivable	72,985	-	72,985
Due from other governments	249,153	-	249,153
Inventories	-	93,423	93,423
Internal balances	862,714	(862,714)	-
Due from component unit	512,360	-	512,360
Capital assets, non-depreciable	5,716,966	7,033,593	12,750,559
Capital assets, depreciable, net of accumulated depreciation	20,343,539	6,045,508	26,389,047
Other non-current assets	121,566	10,991	132,557
Total assets	45,933,063	12,686,362	58,619,425
LIABILITIES			
Accounts payable	1,354,307	288,762	1,643,069
Accrued liabilities	292,972	154,305	447,277
Unearned revenues	380,658	298,325	678,983
Due to primary government	-	-	-
Capital leases due within one year	443,497	48,760	492,257
Compensated absences due within one year	160,640	12,163	172,803
Compensated absences due in more than one year	-	-	-
Notes payable due within one year	936,821	4,453,184	5,390,005
Notes payable due in more than one year	11,177,663	1,892,310	13,069,973
Bonds payable due within one year	-	33,844	33,844
Bonds payable due in more than one year	-	2,251,362	2,251,362
Landfill postclosure costs due within one year	11,200	-	11,200
Landfill postclosure costs due in more than one year	308,560	-	308,560
Total liabilities	15,066,318	9,433,015	24,499,333
NET ASSETS			
Investment in capital assets, net of related debt	13,502,524	4,410,632	17,913,156
Restricted for grant programs	72,985	-	72,985
Restricted for capital projects	6,201,842	-	6,201,842
Restricted for other	-	-	-
Unrestricted	11,089,394	(1,157,285)	9,932,109
Total net assets	$ 30,866,745	$ 3,253,347	$ 34,120,092

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

Component Units	
Health Department	Industrial Development Authority
$ 257,331	$ 275,342
322,091	96,823
-	-
21,852	13,780
-	2,204,789
11,556	-
935	-
-	-
-	-
-	3,774,295
26,794	-
-	-
640,559	6,365,029
-	786,892
10,915	18,050
-	-
-	512,360
-	-
-	-
34,599	-
-	33,974
-	2,170,815
-	2,533,011
-	-
-	-
-	-
45,514	6,055,102
26,794	1,241,284
-	-
-	-
249,749	-
318,502	(931,357)
$ 595,045	$ 309,927

PICKENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,325,631	$ 2,585,958	$ 463,641	$ -
Judicial	3,192,167	1,741,148	908,615	-
Public safety	8,303,608	640,377	242,866	-
Public works	2,243,628	393,162	279,806	428,880
Health and welfare	186,769	-	-	-
Recreation	690,418	127,018	-	-
Housing and development	776,274	21,633	-	-
Interest on long-term debt	424,529	-	-	-
Total governmental activities	18,143,024	5,509,296	1,894,928	428,880
Business-type activities:				
Water	2,056,153	1,698,642	-	-
Aiport	224,691	194,908	134,868	-
Total business-type activities	2,280,844	1,893,550	134,868	-
Total primary government	$ 20,423,868	$ 7,402,846	$ 2,029,796	$ 428,880
Component units:				
Health Department	$ 542,821	$ 254,438	$ 368,222	$ -
Industrial Development Authority	165,837	180,927	20,000	-
Total component units	$ 708,658	$ 435,365	$ 388,222	$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year (as restated)				
Net assets, end of year				

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

Net (Expense) Revenue and Changes in Net Assets				
			Component Units	
Governmental Activities	Business-type Activities	Total	Health Department	Industrial Development Authority
$ 723,968	$ -	$ 723,968	$ -	$ -
(542,404)	-	(542,404)	-	-
(7,420,365)	-	(7,420,365)	-	-
(1,141,780)	-	(1,141,780)	-	-
(186,769)	-	(186,769)	-	-
(563,400)	-	(563,400)	-	-
(754,641)	-	(754,641)	-	-
(424,529)	-	(424,529)	-	-
(10,309,920)	-	(10,309,920)	-	-
-	(357,511)	(357,511)	-	-
-	105,085	105,085	-	-
-	(252,426)	(252,426)	-	-
(10,309,920)	(252,426)	(10,562,346)	-	-
-	-	-	79,839	-
-	-	-	-	35,090
-	-	-	79,839	35,090
6,833,095	-	6,833,095	-	-
7,585,874	-	7,585,874	-	-
1,782,049	-	1,782,049	-	-
205,532	4,013	209,545	-	-
396,922	-	396,922	-	-
67,200	101,070	168,270	-	-
(42,067)	42,067	-	-	-
16,828,605	147,150	16,975,755	-	-
6,518,685	(105,276)	6,413,409	79,839	35,090
24,348,060	3,358,623	27,706,683	515,206	274,837
$ 30,866,745	$ 3,253,347	$ 34,120,092	$ 595,045	$ 309,927

PICKENS COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

ASSETS	General	SPLOST	Other Governmental Funds	Total
Cash and cash equivalents	$ 5,767,917	$ 6,007,661	$ 500,001	$ 12,275,579
Taxes receivable, net	4,181,794	682,698	-	4,864,492
Accounts receivable	546,111	-	367,598	913,709
Accounts receivable - loans	-	-	72,985	72,985
Due from other governments	118,714	-	130,439	249,153
Due from other funds	1,104,795	-	8,120	1,112,915
Due from component unit	512,360	-	-	512,360
Total assets	$ 12,231,691	$ 6,690,359	$ 1,079,143	$ 20,001,193
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 863,627	$ 433,473	$ 57,207	$ 1,354,307
Accrued liabilities	204,267	-	52,204	256,471
Deferred revenue	900,261	-	-	900,261
Due to other funds	-	55,044	195,157	250,201
Total liabilities	1,968,155	488,517	304,568	2,761,240
FUND BALANCES				
Fund balances:				
Reserved for:				
Revolving loans	-	-	72,985	72,985
Capital projects	-	6,201,842	-	6,201,842
Unreserved, undesignated reported in:				
General fund	10,263,536	-	-	10,263,536
Special revenue funds	-	-	701,590	701,590
Total fund balances	10,263,536	6,201,842	774,575	17,239,953
Total liabilities and fund balances	$ 12,231,691	$ 6,690,359	$ 1,079,143	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,060,505
Some receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	519,603
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(13,074,882)
Net pension asset that is not a financial resoure used in governmental activities and therefore not reported in governmental funds.	121,566
Net assets of governmental activities	$ 30,866,745

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

PICKENS COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	General	SPLOST	Other Governmental Funds	Total
Revenues:				
Taxes	$ 11,951,487	$ 4,447,673	$ 40,026	$ 16,439,186
Intergovernmental	1,478,955	-	557,062	2,036,017
Licenses and permits	790,198	-	-	790,198
Charges for services	2,835,401	-	1,361,442	4,196,843
Fines and forfeitures	420,186	-	46,452	466,638
Interest	87,310	104,334	13,888	205,532
Other revenues	71,779	-	64,023	135,802
Contributions	274,806	-	-	274,806
Total revenues	17,910,122	4,552,007	2,082,893	24,545,022
Expenditures:				
Current:				
General government	5,236,476	-	43,457	5,279,933
Judicial	2,168,219	-	1,255,634	3,423,853
Public safety	6,898,420	-	1,125,170	8,023,590
Public works	2,613,248	-	-	2,613,248
Health and welfare	264,357	-	-	264,357
Culture and recreation	667,406	-	-	667,406
Housing and development	727,169	-	30,314	757,483
Capital outlay	-	1,982,919	-	1,982,919
Debt service:				
Principal	1,135,519	426,939	-	1,562,458
Interest	173,602	260,994	-	434,596
Total expenditures	19,884,416	2,670,852	2,454,575	25,009,843
Excess (deficiency) of revenues over (under) expenditures	(1,974,294)	1,881,155	(371,682)	(464,821)
Other financing sources (uses):				
Transfers in	11,695	-	219,101	230,796
Transfers out	(219,668)	(41,500)	(11,695)	(272,863)
Issuance of notes payable	3,200,000	-	-	3,200,000
Sale of capital assets	1,244,513	-	-	1,244,513
Total other financing sources (uses)	4,236,540	(41,500)	207,406	4,402,446
Net change in fund balances	2,262,246	1,839,655	(164,276)	3,937,625
Fund balances, beginning of year (as restated)	8,001,290	4,362,187	938,851	13,302,328
Fund balances, end of year	$ 10,263,536	$ 6,201,842	$ 774,575	$ 17,239,953

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

PICKENS COUNTY, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	3,937,625
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		4,694,671
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(847,591)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(238,168)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(1,034,068)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		6,216
	$	6,518,685

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

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Water Fund	Nonmajor Airport Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 224,213	$ 1,314	$ 225,527
Accounts receivable, net of allowances	138,402	1,632	140,034
Due from other funds	6,228	-	6,228
Inventory	67,947	25,476	93,423
Total current assets	436,790	28,422	465,212
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	6,808,593	225,000	7,033,593
Depreciable assets	7,137,018	1,244,476	8,381,494
Less accumulated depreciation	(2,214,664)	(121,322)	(2,335,986)
Total capital assets net of accumulated depreciation	11,730,947	1,348,154	13,079,101
Debt issuance costs, net	10,991	-	10,991
Total noncurrent assets	11,741,938	1,348,154	13,090,092
Total assets	12,178,728	1,376,576	13,555,304
LIABILITIES			
Current liabilities:			
Accounts payable	263,223	25,539	288,762
Accrued expenses	166,040	428	166,468
Due to other funds	868,942	-	868,942
Unearned revenue	-	298,325	298,325
Capital leases payable - current	48,760	-	48,760
Notes payable - current	4,453,184	-	4,453,184
Bonds payable - current	33,844	-	33,844
Total current liabilities	5,833,993	324,292	6,158,285
Long-term liabilities:			
Notes payable	1,892,310	-	1,892,310
Bonds payable	2,251,362	-	2,251,362
Total long-term liabilities	4,143,672	-	4,143,672
Total liabilities	9,977,665	324,292	10,301,957
NET ASSETS			
Invested in capital assets, net of related debt	3,062,478	1,348,154	4,410,632
Unrestricted	(861,415)	(295,870)	(1,157,285)
Total net assets	$ 2,201,063	$ 1,052,284	$ 3,253,347

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

PICKENS COUNTY, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Water Fund	Nonmajor Airport Fund	Total
OPERATING REVENUES			
Charges for services	$ 1,698,642	$ 194,908	$ 1,893,550
Total operating revenues	1,698,642	194,908	1,893,550
OPERATING EXPENSES			
Personal services	755,549	22,141	777,690
Contractual services	468,937	12,437	481,374
Utilities	94,116	113,509	207,625
Repairs and maintenance	59,341	7,717	67,058
Other supplies and expenses	167,428	17,837	185,265
Depreciation and amortization	290,070	51,050	341,120
Total operating expenses	1,835,441	224,691	2,060,132
Operating loss	(136,799)	(29,783)	(166,582)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	134,868	134,868
Interest revenue	3,687	326	4,013
Other nonoperating revenue	101,070	-	101,070
Interest expense	(220,712)	-	(220,712)
Total nonoperating revenue (expenses)	(115,955)	135,194	19,239
Income (loss) before transfers	(252,754)	105,411	(147,343)
Transfers in	41,500	567	42,067
Change in net assets	(211,254)	105,978	(105,276)
NET ASSETS, beginning of year (as restated)	2,412,317	946,306	3,358,623
NET ASSETS, end of year	$ 2,201,063	$ 1,052,284	$ 3,253,347

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

PICKENS COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

	Water Fund	Nonmajor Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 1,687,112	$ 189,666	$ 1,876,778
Payments to suppliers and service providers	(995,621)	(154,691)	(1,150,312)
Payments to employees	(729,618)	(21,713)	(751,331)
Net cash provided by (used in) operating activities	(38,127)	13,262	(24,865)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	3,687	326	4,013
Net cash provided by investing activities	3,687	326	4,013
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,478,478)	(172,082)	(1,650,560)
Proceeds from capital debt	4,338,682	-	4,338,682
Principal paid on capital debt	(2,871,185)	-	(2,871,185)
Interest paid on capital debt	(108,349)	-	(108,349)
Proceeds from capital grants	-	134,868	134,868
Net cash used in capital and related financing activities	(119,330)	(37,214)	(156,544)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	41,500	567	42,067
Other nonoperating revenue	101,070	-	101,070
Net cash provided by noncapital financing activities	142,570	567	143,137
Net decrease in cash and cash equivalents	(11,200)	(23,059)	(34,259)
Cash and cash equivalents:			
Beginning of year	235,413	24,373	259,786
End of year	$ 224,213	$ 1,314	$ 225,527
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (136,799)	$ (29,783)	$ (166,582)
Adjustments to reconcile operating loss to net cash provided by (used) in operating activities:			
Depreciation and amortization	290,070	51,050	341,120
Increase in accounts receivable	(11,530)	(1,417)	(12,947)
Increase in inventories	(39,791)	(17,227)	(57,018)
Increase (decrease) in accounts payable	(492,505)	14,036	(478,469)
Increase in accrued expenses	25,931	428	26,359
Increase in due to other funds	326,497	-	326,497
Decrease in deferred revenue	-	(3,825)	(3,825)
Net cash provided by (used in) operating activities	$ (38,127)	$ 13,262	$ (24,865)

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

PICKENS COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 4,225,235
Taxes receivable	8,576,610
Total assets	$ 12,801,845
LIABILITIES	
Due to others	$ 4,225,235
Uncollected taxes due to others	8,576,610
Total liabilities	$ 12,801,845

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major proprietary fund:

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the County reports the following fund types:

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the enterprise funds is charges to customers for sales and services provided. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Cash and Cash Equivalents

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

E. Receivables and Payables

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

F. Inventories and Prepaid Items

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

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

I. Long-Term Obligations

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

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

J. Fund Equity

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

K. Use of Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $13,074,882 difference are as follows:

Capital leases payable	$	(443,497)
Notes payable		(12,114,484)
Accrued interest		(36,501)
Compensated absences		(160,640)
Landfill postclosure costs		(319,760)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(13,074,882)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $4,694,671 difference are as follows:

Capital outlay	$	5,887,933
Depreciation expense		(1,193,262)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	4,694,671

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

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

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets." The details of this $1,034,068 difference are as follows:

Proceeds from new note payable	$	3,200,000
Principal repayments on capital lease		(138,000)
Principal repayments on notes payable		(1,424,458)
Landfill postclosure costs		(603,474)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	1,034,068

Another element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this $6,216 difference are as follows:

Compensated absences	$	(32,713)
Net pension asset		28,862
Accrued interest		10,067
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	6,216

NOTE 3. LEGAL COMPLIANCE - BUDGETS

A. Budgets and Budgetary Accounting

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

1. Prior to August 15, the departments submit to the County Commissioner a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Prior to September 1, the proposed budget is presented to the County Commissioner for review.

2. A public hearing is conducted to obtain taxpayer comments.

3. Prior to December 31, the budget is legally adopted by the Commissioner through the passage of a resolution.

4. Budget amounts can be transferred between line items within any department; however, any revisions of the budget must be approved by the Commissioner or Budget Officer.

5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund and the Special Revenue Funds. Additionally, a project length budget is adopted for the SPLOST Fund.

6. The budgets for the General Fund, Special Revenue Funds and SPLOST Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Budgeted amounts are as originally adopted on December 23, 2005, or as amended by the Commissioner. The supplementary budgetary appropriations made are reflected in the final budget amounts.

B. Deficit Fund Equity

The Appalachian Pre-Trial and Probation Fund had deficit fund balance of $24,489 at December 31, 2006. The fund deficit will be reduced through lower expenditures and General Fund appropriations, as needed

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

C. Excess Expenditures over Appropriations

For the year ended December 31, 2006 expenditures exceeded the budget in the General Fund, as follows:

Department	Excess
General government buildings	$ 175,869
Adult probation and parole	537
EMS administration	100

The excess of expenditures over budget that are noted above were funded by greater than anticipated revenues.

NOTE 4. DEPOSITS AND INVESTMENTS

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

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of December 31, 2006, all of the County's deposits were properly collateralized with the depository financial institution.

NOTE 5. RECEIVABLES

Receivables at December 31, 2006, for the County's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Water Fund	Nonmajor Airport Fund
Receivables:					
Taxes	$ 4,183,124	$ 682,698	$ -	$ -	$ -
Other governments	118,714	-	130,439	-	-
Accounts	546,111	-	440,583	167,629	1,632
Gross receivables	4,847,949	682,698	571,022	167,629	1,632
Less allowance for uncollectibles	(1,330)	-	-	(29,227)	-
Net receivables	$ 4,846,619	$ 682,698	$ 571,022	$ 138,402	$ 1,632

Property taxes were levied on November 14, 2006. Bills are payable on or before January 22, 2007, after which the applicable property is subject to lien and penalties and interest as assessed. The County bills and collects its own property taxes. Property taxes levied for 2006 are recorded as receivables. The receivables collected during the year ended December 31, 2006, and collected by February 28, 2007, are recognized as revenues in the year ended December 31, 2006. Net receivables estimated to be collected subsequent to February 28, 2007 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

Property taxes attached as an enforceable lien on property as of June 25th.

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 2,600,163	$ -	$ -	$ 2,600,163
Construction in progress	8,549,461	4,251,261	(9,683,919)	3,116,803
Total capital assets, not being depreciated	11,149,624	4,251,261	(9,683,919)	5,716,966
Capital assets, being depreciated:				
Land improvements	605,201	260,963	-	866,164
Buildings	6,073,896	8,421,539	(897,576)	13,597,859
Machinery and equipment	3,345,581	157,111	(52,505)	3,450,187
Furniture and fixtures	22,470	-	-	22,470
Infrastructure	852,187	2,077,155	-	2,929,342
Vehicles	4,463,842	403,823	(37,800)	4,829,865
Total capital assets, being depreciated	15,363,177	11,320,591	(987,881)	25,695,887
Less accumulated depreciation for:				
Land improvements	202,352	26,627	-	228,979
Buildings	1,303,119	260,313	(68,756)	1,494,676
Machinery and equipment	1,011,034	221,103	(40,652)	1,191,485
Furniture and fixtures	4,488	1,124	-	5,612
Infrastructure	33,327	46,645	-	79,972
Vehicles	1,745,056	637,450	(30,882)	2,351,624
Total accumulated depreciation	4,299,376	1,193,262	(140,290)	5,352,348
Total capital assets, being depreciated, net	11,063,801	10,127,329	(847,591)	20,343,539
Governmental activities capital assets, net	$ 22,213,425	$ 14,378,590	$ (10,531,510)	$ 26,060,505

The beginning balances have been reduced by $190,491 as a result of a prior period adjustment relating to accumulated depreciation, which is explained in more detail in Note 14. Additionally, reclassifications were made to the beginning balances of machinery and equipment and vehicles for $1,363,319 and to accumulated depreciation for $196,613 to better classify assets of the County.

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 568,382	$ -	$ -	$ 568,382
Construction in progress	5,815,367	649,844	-	6,465,211
Total capital assets, not being depreciated	6,383,749	649,844	-	7,033,593
Capital assets, being depreciated:				
Airport improvements	534,388	172,082	-	706,470
Buildings	211,731	417,273	-	629,004
Machinery and equipment	511,832	-	-	511,832
Infrastructure	6,122,827	411,361	-	6,534,188
Total capital assets, being depreciated	7,380,778	1,000,716	-	8,381,494
Less accumulated depreciation for:				
Airport improvements	33,845	23,155	-	57,000
Buildings	87,943	22,705	-	110,648
Machinery and equipment	215,294	51,604	-	266,898
Infrastructure	1,658,149	243,291	-	1,901,440
Total accumulated depreciation	1,995,231	340,755	-	2,335,986
Total capital assets, being depreciated, net	5,385,547	659,961	-	6,045,508
Business-type activities capital assets, net	$ 11,769,296	$ 1,309,805	$ -	$ 13,079,101

The beginning balances have been adjusted to report vehicles in the machinery and equipment category. Additionally, reclassifications of $20,000 and $4,003 were made between buildings and machinery and equipment to the cost and accumulated depreciation, respectively.

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

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

Governmental activities:	
General government	$ 76,905
Judicial	3,012
Public safety	806,243
Public works	246,093
Health and welfare	17,528
Culture and recreation	22,983
Housing and development	20,498
Total depreciation expense - governmental activities	$ 1,193,262
Business-type activities:	
Water Fund	$ 289,705
Airport Fund	51,050
Total depreciation expense - business-type activities	$ 340,755

B. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 52,543	$ 8,791	$ (12,451)	$ 48,883
Total capital assets, being depreciated	52,543	8,791	(12,451)	48,883
Less accumulated depreciation for:				
Machinery and equipment	27,682	6,858	(12,451)	22,089
Total accumulated depreciation	27,682	6,858	(12,451)	22,089
Total capital assets, net	$ 24,861	$ 1,933	$ -	$ 26,794

C. Discretely Presented Component Unit – Industrial Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 2,688,841	$ 1,085,454	$ -	$ 3,774,295
Total capital assets, net	$ 2,688,841	$ 1,085,454	$ -	$ 3,774,295

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2006, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	$ 187,037
General Fund	Water Fund	868,942
General Fund	SPLOST Fund	48,816
Water Fund	SPLOST Fund	6,228
Nonmajor governmental funds	Nonmajor governmental funds	8,120

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

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 11,695
Nonmajor governmental funds	General Fund	219,101
Airport Fund	General Fund	567
Water Fund	SPLOST Fund	41,500

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

NOTE 8. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital leases	$ 581,497	$ -	$ (138,000)	$ 443,497	$ 443,497
Notes payable	10,338,942	3,200,000	(1,424,458)	12,114,484	936,821
Compensated absences	127,927	237,568	(204,855)	160,640	160,640
Landfill postclosure costs	923,234	-	(603,474)	319,760	11,200
Governmental activities long-term liabilities	$ 11,971,600	$ 3,437,568	$ (2,370,787)	$ 13,038,381	$ 1,552,158
Business-type Activities:					
Capital leases	$ 69,506	$ -	$ (20,746)	$ 48,760	$ 48,760
Line of credit	2,708,630	4,338,682	(2,708,630)	4,338,682	4,338,682
Notes payable	2,116,426	-	(109,614)	2,006,812	114,502
Bonds payable	2,317,401	-	(32,195)	2,285,206	33,844
Compensated absences	7,898	19,842	(15,577)	12,163	12,163
Business-type activities long-term liabilities	$ 7,219,861	$ 4,358,524	$ (2,886,762)	$ 8,691,623	$ 4,547,951

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

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

The cost of assets under capital leases as of December 31, 2006 is as follows:

	Governmental Activiites	Business-type Activities
Equipment	$ 704,247	$ 98,982

NOTE 8. LONG-TERM DEBT (CONTINUED)

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

	Governmental Activities	Business-type Activities
Year ending December 31, 2007	$ 450,987	$ 49,412
Less amount representing interest	(7,490)	(652)
Present value of future minimum lease payments	$ 443,497	$ 48,760

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

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

Year ending December 31,	Principal	Interest	Total
2007	$ 936,821	$ 473,450	$ 1,410,271
2008	974,707	435,010	1,409,717
2009	918,551	393,021	1,311,572
2010	931,692	354,277	1,285,969
2011	970,845	315,124	1,285,969
2012 - 2016	5,152,050	931,458	6,083,508
2017 - 2020	2,229,818	142,885	2,372,703
Total	$ 12,114,484	$ 3,045,225	$ 15,159,709

The County has also entered into various agreements with the Georgia Environmental Facilities Authority to finance the construction of water lines. As of December 31, 2006, the County had three (3) such loan agreements with an outstanding balance of $2,006,812. Quarterly installments of principal and interest are due through 2025 with interest rates from 2.0% to 3.66%. The County also has a line of credit with Jasper Banking Company, which was originally extended to the County on September 26, 2005 for $4,929,900 with an interest rate of 2.85%. The line of credit has a maturity date of March 27, 2007 and a balance of $4,338,682 outstanding as of December 31, 2006.

NOTE 8. LONG-TERM DEBT (CONTINUED)

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

Year ending December 31,	Principal	Interest	Total
2007	$ 4,453,184	$ 83,340	$ 4,536,524
2008	119,622	78,220	197,842
2009	124,985	72,858	197,843
2010	130,601	67,241	197,842
2011	136,485	61,357	197,842
2012 - 2016	752,715	208,851	961,566
2017 - 2021	368,581	80,691	449,272
2022 - 2025	259,321	16,127	275,448
Total	$ 6,345,494	$ 668,685	$ 7,014,179

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

The County's debt service requirements to maturity on the bonds payable are as follows:

Year ending December 31,	Principal	Interest	Total
2007	$ 33,844	$ 113,492	$ 147,336
2008	35,575	111,760	147,335
2009	37,396	109,940	147,336
2010	39,309	108,027	147,336
2011	41,320	106,016	147,336
2012 - 2016	240,560	496,120	736,680
2017 - 2021	308,725	427,955	736,680
2022 - 2026	396,205	340,475	736,680
2027 - 2031	508,473	228,207	736,680
2032 - 2036	643,799	89,456	733,255
Total	$ 2,285,206	$ 2,131,448	$ 4,416,654

NOTE 8. LONG-TERM DEBT (CONTINUED)

Landfill postclosure costs. Effective December 20, 2004, the Pickens County Landfill was closed and no additional waste has been accepted. According to state and federal laws and regulations, the County must perform certain maintenance and monitoring functions at the site for a minimum of 30 years. As of December 31, 2006, the County has a remaining 28 years of monitoring. Engineering studies estimate postclosure costs of approximately $319,760 over the 28 year period. These costs are based on what it would cost to perform all postclosure care in 2006, adjusted annually for inflation. Actual costs may be higher due to changes in inflation, changes in technology, or changes in regulations. Should any problems occur during this postclosure period, the costs and time period required for the maintenance and monitoring functions may substantially increase.

Industrial Development Authority – Component Unit.

The following is a summary of the Authority's long-term debt activity for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 2,220,331	$ -	$ (15,542)	$ 2,204,789	$ 33,974
Bonds payable	2,233,011	300,000	-	2,533,011	2,533,011
	$ 4,453,342	$ 300,000	$ (15,542)	$ 4,737,800	$ 2,566,985

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

NOTE 8. LONG-TERM DEBT (CONTINUED)

Industrial Development Authority – Component Unit (Continued).

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

Year ending December 31,	Principal	Interest	Total
2007	$ 33,974	$ 164,025	$ 197,999
2008	36,612	161,388	198,000
2009	39,454	158,546	198,000
2010	42,517	155,483	198,000
2011	45,818	152,182	198,000
2012 - 2016	288,299	701,701	990,000
2017 - 2021	418,983	571,017	990,000
2022 - 2026	608,906	381,094	990,000
2027 - 2029	690,226	114,300	804,526
Total	$ 2,204,789	$ 2,559,736	$ 4,764,525

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

The Authority also has the Series 2004A Bonds outstanding as of December 31, 2006. These bonds were issued to purchase land for development within the County. The Authority is to make monthly interest payments which are based on the prime rate of interest. No principal payments are required to be made until 2014 at which time the exact payment terms would be determined; however, it is the intent of the issuance that the bonds will be repaid with the proceeds of the land sales. There is also an intergovernmental agreement between the Authority and the County under which the County is responsible for any required principal and interest payments on the bonds in the event that the Authority's revenues are not sufficient to make such payments. The outstanding balance of the bonds as of December 31, 2006 is $2,533,011 and the monthly interest payments made during the year totaled $230,037.

Subsequent to year end, during November 2007, the Authority sold the land purchased with the bond proceeds and repaid the entire amount of the bonds outstanding along with all interest accrued as of that date.

NOTE 9. DEFINED BENEFIT PLAN

Plan Description

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

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Association of County Commissioners of Georgia Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of The ACCG Plan as provided in Section 19.03 of The ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan as provided in Section 19.02 of The ACCG Plan document. Complete financial statements for the Association of County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from Pension Service Company, 3625 Cumberland Parkway, Suite 3825, Suite 300, Atlanta, Georgia 30339.

Funding Policy

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

Annual Pension Cost

The County's annual pension cost and net pension obligation for the pension plan for the year beginning January 1, 2006, (the most recent actuarial valuation date) are as follows:

	January 1, 2006	January 1, 2005
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 273,525	$ 237,363
Interest on Net Pension Obligation	(7,416)	(4,870)
Amortization of Net Pension Obligation	7,825	5,138
Annual Pension Cost	$ 273,934	$ 237,631

Derivation of Net Pension Obligation	
Annual Pension Cost for Current Year	$ 273,934
Actual Contributions to Plan for Current Year	302,796
Increase in Net Pension Obligation	(28,862)
Net Pension Obligation (Asset) as of December 31, 2005	(92,704)
Net Pension Obligation (Asset) as of December 31, 2006	$ (121,566)

NOTE 9. DEFINED BENEFIT PLAN (CONTINUED)

Basis of Valuation

Current Valuation Date	January 1, 2006
Annual Return on Invested Plan Assets	8.0%
Projected Annual Salary Increases	5.0%
Expected Annual Inflation	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percent of Pay (closed)
Remaining Amortization Period	10

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
1/1/06	$ 273,934	$ 302,796	111 %	$ (121,566)
1/1/05	237,631	269,462	113	(92,704)
1/1/04	200,522	230,870	115	(60,873)
1/1/03	162,402	192,927	119	(30,525)
1/1/02	158,587	158,587	100	-
1/1/01	116,177	116,177	100	-

NOTE 10. RISK MANAGEMENT

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

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

As part of the risk pool, the County is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pool's agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

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

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

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

NOTE 11. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

In addition to the liabilities enumerated in the balance sheet, at December 31, 2006, the County has contractual commitments on uncompleted contracts of approximately $342,956.

Litigation

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

Grant Contingencies

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

NOTE 12. JOINT VENTURE

On January 4, 1995, Pickens County entered into an agreement with Bartow County, Georgia establishing a joint development authority. The County Commissioner of Pickens County and the County Commissioner of Bartow County signed an agreement whereby the Joint Development Authority of Bartow County and Pickens County was established for the promotion of business development in each county as well as expanding industry, trade and employment opportunities for the citizens of Bartow and Pickens Counties. The Board of Directors of the Joint Development Authority consists of seven members. Three members of the Board are appointed by Bartow County and four members are appointed by Pickens County. As of December 31, 2006, 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 2006. As a result, no balance sheet or income statement is presented in the audited financial statements of Pickens County at December 31, 2006.

NOTE 12. JOINT VENTURE (CONTINUED)

Under Georgia law, the County, in conjunction with other cities and counties in the north west Georgia area, is a member of the North Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. During the year ended December 31, 2006, the County paid $27,277 in such dues. Membership in the RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of regional development commissions in Georgia.

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

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

The County is a member of the Northwest Georgia Regional Water Resources Partnership. This is an organization of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the Water Resources Partnership is a regional organization of water related interest in Northwest Georgia for monitoring and contributing to the development of federal, state, and local policy; educating the citizenry on water related issues; funding and managing regional water-related activities; and coordinating the activities for federal, state, and local entities. The County paid annual dues in the amount of $1,500 for the year ended December 31, 2006. Separate financial statements can be obtained from their office at:

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

NOTE 13. HOTEL/MOTEL TAX

The County has levied a 6% lodging tax. During the year ended December 31, 2006, the County collected $40,026 in revenues. Of this amount $30,314, or 76%, was expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51.

NOTE 14. PRIOR PERIOD ADJUSTMENTS

The County has determined that a restatement of beginning net assets of governmental activities is necessary to properly reflect depreciation on certain capital assets and the County's net pension asset for its defined benefit pension plan. The County also required several adjustments to properly reflect the position of various funds (see further explanations below) of the County, thus causing the restatements to affect the government-wide net assets balances. These adjustments result in a change to beginning net assets of governmental activities as follows:

Net assets, as previously reported	$	24,532,785
Effect of previously underdepreciated capital assets		(190,491)
Effect of previously unrecorded net pension asset		92,704
Effect of unrecorded special revenue funds		27,650
Effect of recognizing prepaids as expenditures in the General fund		(148,000)
Effect of corrections in nonmajor governmental funds		33,412
Net assets, as restated	$	24,348,060

The County has determined that a restatement of the beginning fund balance for the General Fund is necessary to reverse the effect of prepaid expenditures recognized in the prior fiscal year which should have been expended during the year ending December 31, 2005. This adjustment results in a change to the beginning fund balance of the General fund as follows:

Fund balance, as previously reported	$	8,149,290
Effect of reversing prepaid expenditures		(148,000)
Fund balance, as restated	$	8,001,290

NOTE 14. PRIOR PERIOD ADJUSTMENTS (CONTINUED)

The County has determined that two new funds, the Commissary Commissions Fund and Law Library Fund, were required in order to comply with the State of Georgia Uniform Chart of Accounts. The Commissary Commissions Fund was set up by moving activity from an agency fund of the County into this new fund and the Law Library Fund was not reported in the prior year financial statements. The County also determined that a restatement of the beginning fund balance for the CASA Fund, a nonmajor governmental fund, was required to properly reflect a receivable and revenue for grants earned in the prior year. These adjustments result in a change to the beginning fund balance of the nonmajor governmental funds as follows:

Fund balance, as previously reported	$	877,789
Effect of properly reflecting opening balances		61,062
Fund balance, as restated	$	938,851

The County has determined that a restatement of the beginning net assets for the Water Fund is necessary to properly reflect expenses which were incurred in the prior fiscal year, which should have been expensed during the year ending December 31, 2005. This restatement also has an effect on beginning net assets for business-type activities in the amount of $86,822. This adjustment results in a change to the beginning net assets of the Water fund as follows:

Net assets, as previously reported	$	2,499,139
Effect of properly reflecting prior year expeses		(86,822)
Net assets, as restated	$	2,412,317

REQUIRED SUPPLEMENTARY INFORMATION

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGET COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Taxes	$ 11,908,731	$ 11,908,731	$ 11,951,487	$ 42,756
Licenses and permits	801,975	801,975	790,198	(11,777)
Intergovernmental	1,188,343	1,245,672	1,478,955	233,283
Charges for services	1,615,150	1,615,150	2,835,401	1,220,251
Fines and forfeitures	374,150	374,150	420,186	46,036
Interest income	17,500	17,500	87,310	69,810
Other revenues	23,901	23,901	71,779	47,878
Contributions	1,500	1,500	274,806	273,306
Total revenues	15,931,250	15,988,579	17,910,122	1,921,543
Expenditures:				
Current:				
General government:				
Legislative	116,688	120,064	120,064	-
Commissioner	105,474	103,544	103,544	-
Board of elections	177,866	192,756	192,756	-
General administration	1,034,602	112,918	112,918	-
Financial administration	115,057	127,622	127,622	-
Accounting	87,664	87,045	87,045	-
Human resources	61,989	35,340	35,340	-
Law	101,025	71,896	71,896	-
Tax commissioner	446,709	477,872	477,872	-
Tax assessor	422,057	411,606	411,606	-
General government buildings	324,972	3,220,688	3,396,557	(175,869)
Public information	145	145	126	19
Special project	15,000	72,864	72,864	-
General administration fees	25,000	26,266	26,266	-
Total general government	3,034,248	5,060,626	5,236,476	(175,850)
Judicial:				
Judicial administration	41,259	42,282	42,282	-
Superior court	151,359	147,453	147,453	-
Visitation center	31,306	24,820	24,820	-
Clerk of superior court	436,330	464,637	464,637	-
District attorney	387,291	320,179	320,179	-
Magistrate court	208,269	198,411	198,411	-
Probate court	229,096	237,019	237,019	-
Juvenile court	474,400	477,372	477,372	-
Grand jury	4,025	5,351	5,351	-
Law library	56	54	54	-
Public defender	319,000	250,641	250,641	-
Total judicial	$ 2,282,391	$ 2,168,219	$ 2,168,219	$ -

(Continued)

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGET COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Public safety administration	$ 72,368	$ 74,676	$ 74,676	$ -
Sheriff	128,658	130,520	130,520	-
Law enforcement administration	530,589	573,574	573,574	-
Criminal investigation	286,691	289,261	289,261	-
Uniform patrol	1,011,219	1,169,522	1,139,072	30,450
Jail operations	1,148,752	1,520,199	1,520,199	-
Special detail services	51,065	33,489	33,489	-
Sheriff office and building	100,215	156,132	156,132	-
Emergency medical services	144,112	317,775	317,775	-
Adult probation and parole	338,639	341,546	342,083	(537)
Fire fighting	241,900	328,946	328,946	-
Fire stations and building	1,000	4,090	4,090	-
EMS administration	114,381	113,541	113,641	(100)
EMS operations	1,257,642	1,793,978	1,793,955	23
EMS stations and buildings	32,160	28,388	28,388	-
Coroner	39,360	31,517	31,517	-
Animal rescue	14,000	14,000	14,000	-
Emergency management agency	6,300	7,102	7,102	-
Total public safety	5,519,051	6,928,256	6,898,420	29,836
Public works:				
Public works administration	-	44,566	44,566	-
Highways and streets	197,110	106,652	106,652	-
Roadways and walkways	1,032,052	1,575,942	1,575,942	-
Paved streets	62,000	8,477	8,477	-
Unpaved streets	250,000	96,449	96,449	-
Bridges	350,000	-	-	-
Street lighting	6,000	7,900	7,900	-
Traffic engineering	57,936	58,271	58,271	-
Solid waste/recycling administration	475,000	557,091	557,091	-
Closure and post-closure costs	-	11,881	11,881	-
Public education	24,475	24,475	24,475	-
Maintenance and shop	141,082	121,544	121,544	-
Total public works	2,595,655	2,613,248	2,613,248	-
Health and welfare:				
Public health	82,367	82,885	82,885	-
Regulation and inspection	706	718	718	-
Buildings and plant	5,844	3,772	3,772	-
Welfare/other direct assistance	25,800	42,331	42,331	-
Senior citizens center	15,062	17,114	17,114	-
Transportation services	60,000	117,537	117,537	-
Total health and welfare	$ 189,779	$ 264,357	$ 264,357	$ -

(Continued)

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGET COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Current: (Continued)				
Culture and recreation:				
Recreation	$ 129,839	$ 147,029	$ 147,029	$ -
Participation recreation	102,617	96,037	96,037	-
Recreation centers	17,146	11,138	11,138	-
Playgrounds	4,000	2,390	2,390	-
Swimming pools	30,622	18,653	18,653	-
Other recreational facilities	2,900	5,552	5,552	-
Spectator recreation	3,950	2,274	2,274	-
Special facilities	24,891	25,541	25,541	-
Park areas	176,672	116,365	116,365	-
Park lighting	5,400	4,813	4,813	-
Libraries	212,427	237,614	237,614	-
Total culture and recreation	710,464	667,406	667,406	-
Housing and development:				
County agent	17,198	1,000	1,000	-
Agricultural resources	72,520	59,343	59,343	-
Building inspection	231,657	260,679	260,679	-
Planning and zoning	358,759	346,752	346,752	-
Assistance administration	200,051	59,395	59,395	-
Total housing and development	880,185	727,169	727,169	-
Debt service:				
Principal	-	1,135,519	1,135,519	-
Interest	63,240	198,439	173,602	24,837
Total debt service	63,240	1,333,958	1,309,121	24,837
Total expenditures	15,275,013	19,763,239	19,884,416	(121,177)
Excess (deficiency) of revenues over (under) expenditures	656,237	(3,774,660)	(1,974,294)	1,800,366
Other financing sources (uses):				
Transfers in	-	-	11,695	11,695
Transfers out	(723,566)	(219,749)	(219,668)	81
Capital lease	-	3,200,000	3,200,000	-
Sale of capital assets	10,000	794,388	1,244,513	450,125
Total other financing sources (uses)	(713,566)	3,774,639	4,236,540	461,901
Net change in fund balance	(57,329)	(21)	2,262,246	2,262,267
Fund balance, beginning of year (as restated)	8,001,290	8,001,290	8,001,290	-
Fund balance, end of year	$ 7,943,961	$ 8,001,269	$ 10,263,536	$ 2,262,267

PICKENS COUNTY, GEORGIA

SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN

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

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

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

PICKENS COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue Funds					
ASSETS	**E911**	**Drug Task Force**	**Revolving Loan**	**Hotel/Motel Tax**	**Adult Drug Court**	**Appalachian Pre-Trial and Probation**
Cash and cash equivalents	$ 78,763	$ 95,388	$ 106,091	$ 59,863	$ 16,561	$ 15,533
Accounts receivable	40,062	170,398	-	1,683	19,999	23,927
Accounts receivable - loans	-	-	72,985	-	-	-
Due from other governments	-	127,439	-	-	-	-
Due from other funds	-	-	-	-	8,120	-
Total assets	$ 118,825	$ 393,225	$ 179,076	$ 61,546	$ 44,680	$ 39,460
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 39,685	$ 4,508	$ -	$ -	$ 6,748	$ 549
Accrued liabilities	15,941	36,263	-	-	-	-
Due to other funds	-	86,209	-	-	16,108	63,400
Total liabilities	55,626	126,980	-	-	22,856	63,949
FUND BALANCES (DEFICIT)						
Reserved for revolving loans	-	-	72,985	-	-	-
Unreserved, undesignated	63,199	266,245	106,091	61,546	21,824	(24,489)
Total fund balances (deficit)	63,199	266,245	179,076	61,546	21,824	(24,489)
Total liabilities and fund balances	$ 118,825	$ 393,225	$ 179,076	$ 61,546	$ 44,680	$ 39,460

CASA	Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	Total Nonmajor Governmental Funds
$ 10,985	$ 76,126	$ 4,559	$ 32,766	$ 2,821	$ 545	$ 500,001
91,277	6,728	5,016	-	-	8,508	367,598
-	-	-	-	-	-	72,985
3,000	-	-	-	-	-	130,439
-	-	-	-	-	-	8,120
$ 105,262	$ 82,854	$ 9,575	$ 32,766	$ 2,821	$ 9,053	$ 1,079,143
$ 931	$ 4,496	$ 290	$ -	$ -	$ -	$ 57,207
-	-	-	-	-	-	52,204
19,486	-	1,834	-	-	8,120	195,157
20,417	4,496	2,124	-	-	8,120	304,568
-	-	-	-	-	-	72,985
84,845	78,358	7,451	32,766	2,821	933	701,590
84,845	78,358	7,451	32,766	2,821	933	774,575
$ 105,262	$ 82,854	$ 9,575	$ 32,766	$ 2,821	$ 9,053	$ 1,079,143

PICKENS COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds					
	E911	Drug Task Force	Revolving Loan	Hotel/Motel Tax	Adult Drug Court	Appalachian Pre-Trial and Probation
Revenues:						
Taxes	$ -	$ -	$ -	$ 40,026	$ -	$ -
Fines and forfeitures	-	22,443	-	-	600	-
Intergovernmental	-	207,273	-	-	87,578	12,499
Charges for services	427,260	-	-	-	42,378	891,804
Interest income	217	2,454	6,436	1,887	278	201
Other revenues	-	390	-	-	2,803	-
Total revenues	427,477	232,560	6,436	41,913	133,637	904,504
Expenditures:						
Current:						
General government	-	-	-	4,134	-	-
Judicial	-	-	-	-	124,902	902,885
Public safety	752,518	324,441	-	-	-	-
Housing and development	-	-	-	30,314	-	-
Total expenditures	752,518	324,441	-	34,448	124,902	902,885
Excess (deficiency) of revenues over (under) expenditures	(325,041)	(91,881)	6,436	7,465	8,735	1,619
Other financing sources (uses):						
Transfers in	197,402	21,699	-	-	-	-
Transfers out	-	-	-	(11,695)	-	-
Total other financing sources (uses)	197,402	21,699	-	(11,695)	-	-
Net change in fund balances	(127,639)	(70,182)	6,436	(4,230)	8,735	1,619
Fund balances (deficit), beginning of year (as restated)	190,838	336,427	172,640	65,776	13,089	(26,108)
Fund balances (deficit), end of year	$ 63,199	$ 266,245	$ 179,076	$ 61,546	$ 21,824	$ (24,489)

CASA	Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ 40,026
-	-	-	23,409	-	-	46,452
179,854	17,944	12,686	-	-	39,228	557,062
-	-	-	-	-	-	1,361,442
-	2,272	-	-	143	-	13,888
25	-	12,985	-	47,820	-	64,023
179,879	20,216	25,671	23,409	47,963	39,228	2,082,893
-	-	-	-	-	39,323	43,457
150,626	33,216	28,781	15,224	-	-	1,255,634
-	-	-	-	48,211	-	1,125,170
-	-	-	-	-	-	30,314
150,626	33,216	28,781	15,224	48,211	39,323	2,454,575
29,253	(13,000)	(3,110)	8,185	(248)	(95)	(371,682)
-	-	-	-	-	-	219,101
-	-	-	-	-	-	(11,695)
-	-	-	-	-	-	207,406
29,253	(13,000)	(3,110)	8,185	(248)	(95)	(164,276)
55,592	91,358	10,561	24,581	3,069	1,028	938,851
$ 84,845	$ 78,358	$ 7,451	$ 32,766	$ 2,821	$ 933	$ 774,575

PICKENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2006

Project	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
Fire department equipment, fire trucks and construction of new fire houses	$ 2,250,000	$ 2,100,000	$ 1,810,875	$ 57,095	$ 1,867,970
Emergency medical services equipment and construction of new EMS facilities	1,250,000	750,000	280,206	10,547	290,753
Emergency 911 facilities improvements	450,000	506,000	454,748	51,000	505,748
Sheriff department facilities remodeling and upgrade	6,000,000	10,130,000	6,000,000	839,288	6,839,288
Water department facilities and water line improvements	4,500,000	3,500,000	71,110	41,500	112,610
Paving and resurfacting of roads	7,550,000	5,014,000	665,498	1,712,922	2,378,420
	$ 22,000,000	$ 22,000,000	$ 9,282,437	$ 2,712,352	$ 11,994,789

AGENCY FUNDS

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

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

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

Clerk of Superior Court
Judge Probate Court
Magistrate Court

PICKENS COUNTY, GEORGIA

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2006

ASSETS	Clerk of Superior Court	Judge Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total
Cash and cash equivalents	$ 211,287	$ 21,091	$ 6,700	$ 15,016	$ 3,971,141	$ 4,225,235
Taxes receivable	-	-	-	-	8,576,610	8,576,610
Total assets	$ 211,287	$ 21,091	$ 6,700	$ 15,016	$ 12,547,751	$ 12,801,845
LIABILITIES						
Due to others	$ 211,287	$ 21,091	$ 6,700	$ 15,016	$ 3,971,141	$ 4,225,235
Uncollected taxes	-	-	-	-	8,576,610	8,576,610
Total liabilities	$ 211,287	$ 21,091	$ 6,700	$ 15,016	$ 12,547,751	$ 12,801,845

COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

PICKENS COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	20,000
Payments to suppliers		(14,873)
Net cash provided by operating activities		5,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal received on notes receivable		15,542
Interest received		163,090
Net cash provided by investing activities		178,632
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(118,525)
Proceeds from capital debt		300,000
Principal paid on capital debt		(15,542)
Interest paid on capital debt		(342,400)
Net cash used in capital and related financing activities		(176,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments from primary government		180,037
Net cash provided by noncapital financing activities		180,037
Net increase in cash and cash equivalents		187,329
Cash and cash equivalents:		
Beginning of year		88,013
End of year	$	275,342
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	19,520
Adjustments to reconcile operating income to net cash provided by in operating activities:		
Decrease in accounts payable		(14,393)
Net cash provided by operating activities	$	5,127

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia (the "County") as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 4, 2008. We did not audit the financial statements of the Pickens County Department of Public Health. Those financial statements were audited by other auditors whose reports have been furnished to us. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-8 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1 through 2006-7 to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that were reported to management of the County in a separate letter dated February 4, 2008.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 4, 2008

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

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

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

Compliance

We have audited the compliance of Pickens County, Georgia (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Pickens County, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

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

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

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

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 4, 2008

PICKENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Total Expenditures
U.S. Department of Homeland Securtity			
Passed through Georgia Emergency Management Agency			
97.042		1554-dr-ga	$ 4,963
U.S. Department of Health and Human Services			
Passed through Georgia Department of Human Resources			
Promoting Safe and Stable Families	93.556	MOU-2006-06100045	51,514
U.S. Department of Transportation			
Federal Aviation Administration	20.106	3-13-0124-10	127,960
Passed through Georgia Department of Transportation			
Public Transportation	20.509	GA-15-9024	53,698
Total Department of Transportation			181,658
U.S. Department of Justice			
Passed through Office of Justice Programs			
Drug Court Discretionary Grant Program	16.585	2006-dc-bx-0009	30,000
Passed through Juvenile Court Judges of Georgia			
Juvenile Accountability Incentive Block Grants	16.523	04B-ST-0001	3,353
Passed through Criminal Judicial Council			
Edward Byrne Memorial Formula Grant Program	16.579	B06-8-013	163,874
Victims of Child Abuse	16.547	C05-8-099	72,378
Violence Against Women Formula Grants	16.588	W05-8-057	9,376
Total Department of Justice			278,981
Total Federal Expenditures			$ 517,116

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

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes ___ no
Significant deficiencies identified not considered to be material weaknesses?	_X_ yes ___ no
Noncompliance material to financial statements noted?	____ yes _X_ no

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes _X_ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes _X_ none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	____ yes _X_ no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
16.579	Edward Byrne Memorial Formula Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	_X_ yes ____ no

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2006-1. Restatements of Prior Year Balances

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

Condition: Internal controls were not sufficient to detect material misstatements in the County's financial statements for the year ended December 31, 2005.

Context/Cause: During our audit for the year ended December 31, 2006, several material misstatements were identified that caused the need to restate financial statement balances reported as of and for the year ended December 31, 2005. The nature and magnitude of these corrections for prior period errors are as follows:

- The General Fund incorrectly reported approximately $148,000 in prepaid assets as of December 31, 2005. This amount should have been reported in expenditures prior to December 31, 2005 rather than as a prepaid asset since the period of benefit had passed and the expenditures had been incurred. This required a decrease to prepaid assets and beginning fund balance.
- State of Georgia law and the State of Georgia Uniform Chart of Accounts requires that certain activities in a county government be reported as special revenue funds. During our audit, it was noted that two such funds existed that were not being properly reported as special revenue funds of the County: the Law Library Fund (not reported in the December 31, 2005 financial statements) and the Commissary Commissions Fund (reported within an agency fund in the December 31, 2005 financial statements). These two funds have been erroneously omitted as special revenue funds from the financial statements of the County in past years. The funds were properly reported for the year ended December 31, 2006, causing adjustments totaling approximately $99,000 and an effect on opening fund balances of $27,650.
- Receivables and revenues of the CASA fund were incorrectly reported by $33,412 as of December 31, 2005. An audit adjustment to opening fund balance for omitted receivables as of December 31, 2005 was required.
- Net assets for governmental activities in the County's government-wide financial statements as of December 31, 2005 required restatement in the amount of $190,491 for errors in the calculations of depreciation for the County's governmental capital assets. Accumulated depreciation was understated for certain capital assets in the financial statements as of December 31, 2005.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-1. Restatements of Prior Year Balances (Continued)

- The County's financial statements as of December 31, 2005 omitted the reporting of the net pension asset for contributions made to the County's defined benefit pension plan. The caused restatement of opening net assets for governmental activities in the County's government-wide financial statements of $92,704.
- The County's Water Fund erroneously excluded expenses incurred as of December 31, 2005 for water purchases in the amount of $86,822 from its financial statements for the year ended December 31, 2005. Audit adjustments were required to decrease opening net assets of the County's Water Fund by this amount.

Effects: The above errors created additional audit procedures to be required for several balances of the County as stated in its December 31, 2005 financial statements. Prior period restatements caused the need for adjustments in excess of $650,000.

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-2. Expenditures/Expenses and Related Liabilities

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

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

Context/Cause: During our testing of expenditures/expenses, certain audit adjustments were required to correct current year amounts. The nature of these adjustments are as follows:

- Accounts payable and related expenditures required adjustments of approximately $206,000 to properly report accounts payable and related expenditures in the General Fund as of December 31, 2006.
- Accounts payable and the related expenditures required an adjustment in the approximate amount of $51,000 in the SPLOST fund. This adjustment was needed to include liabilities and expenditures that existed at December 31, 2006, but were improperly excluded.
- Accounts payable and related expenses required an adjustment in the approximate amount of $141,000 in the Water Fund. This adjustment was required to increase liabilities and expenses for amounts incurred as of December 31, 2006.
- Accounts payable and capital assets required adjustments in the approximate amount of $787,000 for the County's Industrial Development Authority (discretely presented component unit). This adjustment was needed to properly value the accounts payables and related capital assets as of December 31, 2006.

Effects: Audit adjustments totaling approximately $1,185,000 were needed to correctly report expenditures/expenses and the related liabilities.

Recommendation: We recommend the County carefully review all expenditures/expenses and related liabilities to ensure all necessary transactions are reported in the proper period.

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-3. Assets and Related Liabilities - Agency Funds

Criteria: Agency funds should have sufficient internal controls to properly report assets held. By definition, all assets held by an agency fund are held in an agent capacity and do not belong to the fund, but to others.

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

Context/Cause: During our testing of the County's agency funds, certain audit adjustments were required to correct current year amounts. The nature of these adjustments are as follows:

- The Tax Commissioner Fund's assets required adjustments totaling approximately $10,446,000 to properly report the uncollected school and state portion of property taxes and other assets as of December 31, 2006. The majority of these adjustments were to report the amount of uncollected school and state property taxes that should be reflected as a receivable in the Tax Commissioner agency fund.
- The Clerk of Court Fund required adjustments totaling approximately $222,000 to properly reflect their assets and related liabilities in the financial statements as of December 31, 2006.
- The Probate Court Fund required adjustments totaling approximately $21,000 to properly reflect their assets and related liabilities in the financial statements as of December 31, 2006.

Effects: Audit adjustments totaling approximately $10,689,000 were needed to correctly report certain agency funds' assets and the related liabilities.

Recommendation: We recommend the County carefully review all agency fund trial balances for proper reporting of the assets and related liabilities to ensure all necessary adjustments are reported in the proper period.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that agency fund assets and the related liabilities are properly recorded.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-4. Receivables and Revenues

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

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

Context/Cause: During our testing, certain audit adjustments were required to correct current year amounts. The nature of these adjustments are as follows:

- Revenues required adjustment in the Drug Task Force Fund in the approximate amounts of $22,000 for the improper reporting of revenues that did not exist at December 31, 2006. The County recorded revenue to represent the County's required local match on a grant that should have been appropriately reported as a transfer in from other funds.
- Receivables and revenues were understated and required adjustments of approximately $56,000 in the CASA Fund.
- Revenue and the related interest receivable accounts required an adjustment in the approximate amount of $22,000 for the Industrial Development Authority as of December 31, 2006.

Effects: Total misstatements were approximately $100,000 for receivables and revenues for the year ended December 31, 2006.

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-5. Timely Reporting of Accurate Financial Information

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

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the County's overall financial position and results of operation as of and for the year ended December 31, 2006.

Context/Cause: The County did not complete its year-end closing process to provide final trial balances and the necessary subsidiary ledgers for the majority of its funds for the year ended December 31, 2006 for auditing until the end of June 2007. Additionally, several adjustments were presented by management, which totaled approximately $2.5 million, during the months July 2007 through December 2007 for the fiscal year ended December 31, 2006. These adjustments affected such accounts as cash, expenditures/expenses, accounts payable, and accrued liabilities with $2.46 million of the adjustments being in the agency funds.

Effects: The County was unable to report accurate financial information to management and the Commissioner in a timely manner.

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-6. Segregation of Duties

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

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

Context: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effects or possible effects: Failure to properly segregate duties among custody, recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

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

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-7. Unidentified Funds (Constitutional Offices)

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

Condition: For the year ended December 31, 2006, we noted that the Clerk of Court, Probate Court, and Sheriff's Office (inmates account) had approximately $132,000, $1,200, and $1,700, respectively, in its bank accounts for which no comprehensive detail listing was available to identify to whom the funds were owed.

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

- The Clerk of Court did not have a subsidiary detail of approximately $132,000 of the approximate $184,000 of cash bonds on hand.
- The Probate Court did not have a subsidiary detail of approximately $1,200 of the nearly $9,500 of cash bonds on hand.
- The Sheriff's inmate account did not have a subsidiary detail of approximately $1,700 of the nearly $3,900 of inmate funds.

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

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2006-8. Debt Service Expenditures

Criteria: Generally expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows. However, governmental funds generally should not recognize debt service expenditures until they become due.

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

Context/Cause: During our audit of the General Fund and SPLOST Fund, we noted the County had incorrectly accrued an interest payable for the County's long term debt for governmental fund level reporting. Adjustments totaling approximately $25,000 and $23,000, respectively, were required for the County's General Fund and SPLOST Fund, respectively.

Effects: Audit adjustments totaling approximately $48,000 were needed to correctly report liabilities and expenditures.

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

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

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted

PICKENS COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

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