PICKENS COUNTY, GEORGIA

FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2009

INTRODUCTORY SECTION

PICKENS COUNTY, GEORGIA

FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

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PICKENS COUNTY, GEORGIA

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FOR THE YEAR ENDED DECEMBER 31, 2009

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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, 2009, which collectively comprise Pickens County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pickens County Department of Public Health, which represent 13 percent, 58 percent, and 73 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Pickens County Department of Public Health is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia as of December 31, 2009, 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 June 24, 2010, on our consideration of Pickens County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information and schedules of funding progress (on pages 40 through 43) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 24, 2010

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		
ASSETS	**Governmental Activities**	**Business-type Activities**	**Total**
Cash and cash equivalents	$ 8,516,360	$ 235,214	$ 8,751,574
Investments	3,733,877	-	3,733,877
Taxes receivable	2,121,623	-	2,121,623
Accounts receivable, net of allowances	328,306	159,402	487,708
Notes receivable	27,150	-	27,150
Note receivable from primary government	-	-	-
Due from other governments	1,486,569	487,244	1,973,813
Due from component unit	6,518	-	6,518
Inventories	28,988	31,712	60,700
Prepaid items	169,204	-	169,204
Internal balances	1,622,036	(1,622,036)	-
Capital assets, non-depreciable	3,869,127	4,808,832	8,677,959
Capital assets, depreciable, net of accumulated depreciation	27,529,523	12,929,651	40,459,174
Other non-current assets	-	63,469	63,469
Total assets	49,439,281	17,093,488	66,532,769
LIABILITIES			
Accounts payable	871,185	1,299,473	2,170,658
Due to primary government	-	-	-
Accrued liabilities	108,664	15,441	124,105
Unearned revenues	115,991	143,182	259,173
Other non-current liabilities	267,328	-	267,328
Capital leases due within one year	141,745	-	141,745
Capital leases due in more than one year	392,867	-	392,867
Compensated absences due within one year	180,699	12,411	193,110
Compensated absences due in more than one year	-	-	-
Notes payable due within one year	1,060,291	130,601	1,190,892
Notes payable due in more than one year	8,546,587	2,474,049	11,020,636
Bonds payable due within one year	-	95,356	95,356
Bonds payable due in more than one year	-	6,920,238	6,920,238
Landfill postclosure costs due within one year	13,600	-	13,600
Landfill postclosure costs due in more than one year	326,403	-	326,403
Total liabilities	12,025,360	11,090,751	23,116,111
NET ASSETS			
Investment in capital assets, net of related debt	21,257,160	8,118,239	29,375,399
Restricted for grant programs	27,150	-	27,150
Restricted for capital projects	9,780,835	-	9,780,835
Unrestricted	6,348,776	(2,115,502)	4,233,274
Total net assets	$ 37,413,921	$ 6,002,737	$ 43,416,658

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

Component Units	
Health Department	Industrial Development Authority
$ 432,944	$ 118,410
21,575	108,243
-	-
-	9,891
-	2,022,041
-	956,947
-	40,000
-	-
954	-
-	-
-	-
-	-
27,366	-
-	-
482,839	3,255,532
90,087	-
-	6,518
4,190	10,315
-	-
-	-
-	-
-	-
-	-
13,949	-
-	95,993
-	2,876,048
-	-
-	-
-	-
-	-
108,226	2,988,874
27,366	-
-	-
-	-
347,247	266,658
$ 374,613	$ 266,658

PICKENS COUNTY, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

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	$ 2,873,758	$ 1,067,662	$ 378,561	$ -
Judicial	4,782,095	1,877,239	1,486,620	-
Public safety	11,409,461	2,199,396	307,192	150
Public works	2,981,280	280,769	-	85,817
Health and welfare	320,605	-	122,929	410,000
Recreation	795,903	165,248	-	-
Housing and development	1,042,366	93,087	-	-
Interest on long-term debt	394,817	-	-	-
Total governmental activities	24,600,285	5,683,401	2,295,302	495,967
Business-type activities:				
Water	2,305,982	1,604,990	-	-
Aiport	327,660	256,108	-	1,150,039
Total business-type activities	2,633,642	1,861,098	-	1,150,039
Total primary government	$ 27,233,927	$ 7,544,499	$ 2,295,302	$ 1,646,006
Component units:				
Health Department	$ 545,874	$ 117,402	$ 319,019	$ -
Industrial Development Authority	188,128	122,584	40,000	-
Total component units	$ 734,002	$ 239,986	$ 359,019	$ -
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Miscellaneous earnings				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
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
$ (1,427,535)	$ -	$ (1,427,535)	$ -	$ -
(1,418,236)	-	(1,418,236)	-	-
(8,902,723)	-	(8,902,723)	-	-
(2,614,694)	-	(2,614,694)	-	-
212,324	-	212,324	-	-
(630,655)	-	(630,655)	-	-
(949,279)	-	(949,279)	-	-
(394,817)	-	(394,817)	-	-
(16,125,615)	-	(16,125,615)	-	-
-	(700,992)	(700,992)	-	-
-	1,078,487	1,078,487	-	-
-	377,495	377,495	-	-
(16,125,615)	377,495	(15,748,120)	-	-
-	-	-	(109,453)	-
-	-	-	-	(25,544)
-	-	-	(109,453)	(25,544)
8,827,762	-	8,827,762	-	-
5,999,930	-	5,999,930	-	-
1,496,694	-	1,496,694	-	-
230,681	2,099	232,780	-	1,531
-	6,308	6,308	-	-
11,228	(11,228)	-	-	-
16,566,295	(2,821)	16,563,474	-	1,531
440,680	374,674	815,354	(109,453)	(24,013)
36,973,241	5,628,063	42,601,304	484,066	290,671
$ 37,413,921	$ 6,002,737	$ 43,416,658	$ 374,613	$ 266,658

PICKENS COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

ASSETS	General	SPLOST	Other Governmental Funds	Total
Cash and cash equivalents	$ 2,298,923	$ 5,815,227	$ 402,210	$ 8,516,360
Investments	-	3,713,146	20,731	3,733,877
Taxes receivable, net	2,121,623	-	-	2,121,623
Accounts receivable, net	220,834	-	107,472	328,306
Notes receivable	-	-	27,150	27,150
Due from other governments	490,920	470,710	524,939	1,486,569
Due from other funds	312,644	-	18,971	331,615
Due from component unit	6,518	-	-	6,518
Advances to other funds	1,701,022	-	-	1,701,022
Prepaid assets	169,204	91,842	-	261,046
Inventory	28,988	-	-	28,988
Total assets	$ 7,350,676	$ 10,090,925	$ 1,101,473	$ 18,543,074
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 736,901	$ 71,541	$ 62,743	$ 871,185
Accrued liabilities	73,164	-	23,966	97,130
Deferred revenue	1,489,776	40,506	-	1,530,282
Due to other funds	18,971	106,201	285,429	410,601
Total liabilities	2,318,812	218,248	372,138	2,909,198
FUND BALANCES				
Fund balances:				
Reserved for:				
Inventory	28,988	-	-	28,988
Prepaids	169,204	91,842	-	261,046
Long-term advances	1,701,022	-	-	1,701,022
Revolving loans	-	-	27,150	27,150
Capital projects	-	9,780,835	-	9,780,835
Unreserved, undesignated reported in:				
General fund	3,132,650	-	-	3,132,650
Special revenue funds	-	-	702,185	702,185
Total fund balances	5,031,864	9,872,677	729,335	15,633,876
Total liabilities and fund balances	$ 7,350,676	$ 10,090,925	$ 1,101,473	

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.	31,398,650
Some outlays of financial resources are recorded as prepaid assets in the funds, as the liabilities are not due and payable in the current period.	(91,842)
Some receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,414,291
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(10,673,726)
Net pension liability does not consume current financial resources and, therefore, is not reported in governmental funds	(17,208)
Net OPEB obligation does not consume current financial resources and, therefore, is not reported in governmental funds	(250,120)
Net assets of governmental activities	$ 37,413,921

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, 2009

	General	SPLOST	Other Governmental Funds	Total
Revenues:				
Taxes	$ 12,875,160	$ 3,507,705	$ 28,064	$ 16,410,929
Intergovernmental	1,817,515	-	898,142	2,715,657
Licenses and permits	311,567	-	-	311,567
Charges for services	3,650,148	-	526,994	4,177,142
Fines and forfeitures	349,627	-	1,105,164	1,454,791
Interest	26,698	196,286	7,697	230,681
Other revenues	37,564	-	98,568	136,132
Contributions	96,158	-	-	96,158
Total revenues	19,164,437	3,703,991	2,664,629	25,533,057
Expenditures:				
Current:				
General government	3,157,065	-	-	3,157,065
Judicial	2,881,711	-	1,765,614	4,647,325
Public safety	9,505,416	-	1,318,874	10,824,290
Public works	2,460,466	-	-	2,460,466
Health and welfare	664,530	-	37,220	701,750
Culture and recreation	806,296	-	-	806,296
Housing and development	958,166	-	86,886	1,045,052
Capital outlay	-	1,592,141	-	1,592,141
Debt service:				
Principal	276,963	790,834	-	1,067,797
Interest	87,511	314,237	-	401,748
Total expenditures	20,798,124	2,697,212	3,208,594	26,703,930
Excess (deficiency) of revenues over (under) expenditures	(1,633,687)	1,006,779	(543,965)	(1,170,873)
Other financing sources (uses):				
Transfers in	184,052	-	517,859	701,911
Transfers out	(517,859)	-	(22,453)	(540,312)
Issuance of capital lease	400,000	-	-	400,000
Sale of capital assets	19,901	-	-	19,901
Total other financing sources (uses)	86,094	-	495,406	581,500
Net change in fund balances	(1,547,593)	1,006,779	(48,559)	(589,373)
Fund balances, beginning of year	6,579,457	8,865,898	777,894	16,223,249
Fund balances, end of year	$ 5,031,864	$ 9,872,677	$ 729,335	$ 15,633,876

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, 2009

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(589,373)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		1,437,827
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(34,557)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(503,320)
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.		589,112
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.		(459,009)
Net increase in governmental activities	$	440,680

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

PICKENS COUNTY, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

ASSETS	Water Fund	Airport Fund	Total
Current assets:			
Cash and cash equivalents	$ 234,167	$ 1,047	$ 235,214
Accounts receivable, net of allowances	157,584	1,818	159,402
Due from other governments	-	487,244	487,244
Due from other funds	78,986	-	78,986
Inventory	19,643	12,069	31,712
Total current assets	490,380	502,178	992,558
Noncurrent assets:			
Capital assets:			
Nondepreciable assets	556,702	4,252,130	4,808,832
Depreciable assets	15,352,538	1,498,805	16,851,343
Less accumulated depreciation	(3,611,818)	(309,874)	(3,921,692)
Total capital assets net of accumulated depreciation	12,297,422	5,441,061	17,738,483
Debt issuance costs, net	63,469	-	63,469
Total noncurrent assets	12,360,891	5,441,061	17,801,952
Total assets	12,851,271	5,943,239	18,794,510
LIABILITIES			
Current liabilities:			
Accounts payable	22,944	1,276,529	1,299,473
Accrued expenses	27,681	171	27,852
Unearned revenue	-	143,182	143,182
Notes payable - current	130,601	-	130,601
Bonds payable - current	95,356	-	95,356
Total current liabilities	276,582	1,419,882	1,696,464
Long-term liabilities:			
Advance from other funds	1,701,022	-	1,701,022
Notes payable	1,517,102	-	1,517,102
Note payable to component unit	-	956,947	956,947
Bonds payable	6,920,238	-	6,920,238
Total long-term liabilities	10,138,362	956,947	11,095,309
Total liabilities	10,414,944	2,376,829	12,791,773
NET ASSETS			
Invested in capital assets, net of related debt	3,634,125	4,484,114	8,118,239
Unrestricted	(1,197,798)	(917,704)	(2,115,502)
Total net assets	$ 2,436,327	$ 3,566,410	$ 6,002,737

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, 2009

	Water Fund	Airport Fund	Total
OPERATING REVENUES			
Charges for services	$ 1,604,990	$ 256,108	$ 1,861,098
Total operating revenues	1,604,990	256,108	1,861,098
OPERATING EXPENSES			
Personal services	681,371	65,942	747,313
Contractual services	497,824	70	497,894
Utilities	106,593	102,190	208,783
Repairs and maintenance	25,521	7,978	33,499
Other supplies and expenses	101,453	74,969	176,422
Depreciation and amortization	513,936	76,511	590,447
Total operating expenses	1,926,698	327,660	2,254,358
Operating loss	(321,708)	(71,552)	(393,260)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	2,096	3	2,099
Other nonoperating revenue	-	6,308	6,308
Interest expense	(379,284)	-	(379,284)
Total nonoperating revenue (expenses)	(377,188)	6,311	(370,877)
Loss before contributions and transfers	(698,896)	(65,241)	(764,137)
Capital contributions	150,371	1,150,039	1,300,410
Transfers out	-	(161,599)	(161,599)
Change in net assets	(548,525)	923,199	374,674
NET ASSETS, beginning of year	2,984,852	2,643,211	5,628,063
NET ASSETS, end of year	$ 2,436,327	$ 3,566,410	$ 6,002,737

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

PICKENS COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Water Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 1,623,824	$ 207,654	$ 1,831,478
Payments to suppliers and service providers	(323,537)	(161,508)	(485,045)
Payments to employees	(698,678)	(67,634)	(766,312)
Net cash provided by (used in) operating activities	601,609	(21,488)	580,121
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,096	3	2,099
Net cash provided by investing activities	2,096	3	2,099
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(1,057)	(1,535,536)	(1,536,593)
Receipt of capital grants	-	755,368	755,368
Proceeds from issuance of debt	-	956,947	956,947
Principal paid on capital debt	(216,167)	-	(216,167)
Interest paid on capital debt	(383,988)	-	(383,988)
Net cash provided by (used in) capital and related financing activities	(601,212)	176,779	(424,433)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	-	(161,599)	(161,599)
Other nonoperating revenue	-	6,308	6,308
Net cash used in noncapital financing activities	-	(155,291)	(155,291)
Net increase in cash and cash equivalents	2,493	3	2,496
Cash and cash equivalents:			
Beginning of year	231,674	1,044	232,718
End of year	$ 234,167	$ 1,047	$ 235,214
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (321,708)	$ (71,552)	$ (393,260)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	513,936	76,511	590,447
(Increase) decrease in accounts receivable	18,834	(1,219)	17,615
Decrease in due from other funds	34,398	-	34,398
(Increase) decrease in inventories	(9,926)	24,103	14,177
Decrease in accounts payable	(57,488)	(404)	(57,892)
Decrease in accrued expenses	(17,307)	(1,692)	(18,999)
Increase in advances from other funds	440,870	-	440,870
Decrease in deferred revenue	-	(47,235)	(47,235)
Net cash provided by (used in) operating activities	$ 601,609	$ (21,488)	$ 580,121
Noncash capital and related financing activities:			
Assets purchased by governmental funds	$ 150,371	$ -	$ 150,371
Capital expenses reported in accounts payable	-	1,274,965	1,274,965
	$ 150,371	$ 1,274,965	$ 1,425,336

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

PICKENS COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2009

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 407,716
Taxes receivable	5,032,247
Total assets	$ 5,439,963
LIABILITIES	
Due to others	$ 407,716
Uncollected taxes due to others	5,032,247
Total liabilities	$ 5,439,963

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 policies are described below.

A. Reporting Entity

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

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Pickens County, Georgia (the "primary government") and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, as amended by Statement No. 39, the financial statements of the component units are discretely presented in the government-wide financial statements.

Discretely Presented Component Units

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

B. Government-wide and Fund Financial Statements

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

In accordance with GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

The County reports the following major governmental funds:

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

The ***Special Purpose Local Option Sales Tax Fund (SPLOST)*** is used to account for the revenues and expenditures relating to the 2003 and 2008 1% Special Purpose Local Option Sales Tax.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Cash and Cash Equivalents

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

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds" (i.e., the current portion) or "advances to/from other funds" (i.e., the non-current portion of the interfund balances). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

F. Inventories and Prepaid Items

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets

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

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

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

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 a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $10,673,726 difference are as follows:

Capital leases payable	$	(534,612)
Notes payable		(9,606,878)
Accrued interest		(11,534)
Compensated absences		(180,699)
Landfill postclosure costs		(340,003)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(10,673,726)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $1,437,827 difference are as follows:

Capital outlay	$	3,212,228
Depreciation expense		(1,774,401)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	1,437,827

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 $589,112 difference are as follows:

Capital lease financing	$	(400,000)
Principal repayments on capital lease		116,328
Principal repayments on notes payable		951,469
Landfill postclosure costs		(78,685)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	589,112

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 $459,009 difference are as follows:

Compensated absences	$	(18,967)
Net pension obligation		(196,853)
Net OPEB obligation		(250,120)
Prepaid interest expense		(21,479)
Accrued interest		28,410
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets - governmental activities*	$	(459,009)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

NOTE 3. LEGAL COMPLIANCE – BUDGETS (Continued)

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

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

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

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

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

Budgeted amounts are as originally adopted on November 30, 2008, or as amended by the Commissioner. The supplementary budgetary appropriations made are reflected in the final budget amounts.

The following departments had an excess of actual expenditures over appropriations for the fiscal period ended December 31, 2009:

General Fund		
Fire fighting	$	91,196
Fire stations and building		5,927
Roadways and walkways		57,203

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

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.

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, 2009, all of the County's deposits were collateralized with the depository financial institution, as defined by GASB pronouncements and State of Georgia statutes.

At December 31, 2009, the County had the following investments:

Investment	Maturities	Fair Value
Certificate of deposit	12/31/10	$ 3,198,433
Certificate of deposit	12/18/10	258,129
Certificate of deposit	12/17/10	256,584
Certificate of deposit	1/14/10	10,366
Certificate of deposit	1/14/10	10,365
Total		$ 3,733,877

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

NOTE 5. RECEIVABLES

Receivables at December 31, 2009, 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	Airport Fund
Receivables:					
Taxes	$ 2,121,623	$ -	$ -	$ -	$ -
Other governments	490,920	470,710	524,939	-	487,244
Accounts	804,588	-	107,472	158,699	1,818
Accounts - loans	-	-	27,150	-	-
Gross receivables	3,417,131	470,710	659,561	158,699	489,062
Less allowance for uncollectibles	(583,754)	-	-	(1,115)	-
Net receivables	$ 2,833,377	$ 470,710	$ 659,561	$ 157,584	$ 489,062

Property taxes were levied on September 22, 2009, for the fiscal year 2009. Bills are payable on or before December 4, 2009, after which the applicable property is subject to lien and penalties and interest as assessed. The County bills and collects its own property taxes. Property taxes levied for 2009 are recorded as receivables. The receivables collected during the year ended December 31, 2009, and collected by February 28, 2010, are recognized as revenues in the year ended December 31, 2009. Net receivables estimated to be collected subsequent to February 28, 2010 are recorded as revenue when received. Prior year levies were recorded using substantially the same principles, and remaining receivables are reevaluated annually.

NOTE 6. CAPITAL ASSETS

A. Primary Government

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 2,572,861	$ 574,380	$ -	$ 3,147,241
Construction in progress	502,890	718,186	(499,190)	721,886
Total capital assets, not being depreciated	3,075,751	1,292,566	(499,190)	3,869,127
Capital assets, being depreciated:				
Land improvements	934,810	20,213	-	955,023
Buildings	18,191,673	714,047	-	18,905,720
Machinery and equipment	4,880,088	97,898	(103,100)	4,874,886
Furniture and fixtures	22,470	-	-	22,470
Infrastructure	5,554,264	920,697	-	6,474,961
Vehicles	5,438,392	665,997	(63,367)	6,041,022
Total capital assets, being depreciated	35,021,697	2,418,852	(166,467)	37,274,082
Less accumulated depreciation for:				
Land improvements	287,165	30,443	-	317,608
Buildings	2,168,759	351,441	-	2,520,200
Machinery and equipment	1,786,819	374,254	(68,543)	2,092,530
Furniture and fixtures	7,863	1,121	-	8,984
Infrastructure	468,590	286,391	-	754,981
Vehicles	3,382,872	730,751	(63,367)	4,050,256
Total accumulated depreciation	8,102,068	1,774,401	(131,910)	9,744,559
Total capital assets, being depreciated, net	26,919,629	644,451	(34,557)	27,529,523
Governmental activities capital assets, net	$ 29,995,380	$ 1,937,017	$ (533,747)	$ 31,398,650

NOTE 6. CAPITAL ASSETS (CONTINUED)

A. Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	$ 1,690,594	$ -	$ -	$ 1,690,594
Construction in progress	534,043	2,811,559	(227,364)	3,118,238
Total capital assets, not being depreciated	2,224,637	2,811,559	(227,364)	4,808,832
Capital assets, being depreciated:				
Airport improvements	706,470	-	-	706,470
Buildings	629,004	-	-	629,004
Machinery and equipment	965,670	-	-	965,670
Infrastructure	14,172,465	377,734	-	14,550,199
Total capital assets, being depreciated	16,473,609	377,734	-	16,851,343
Less accumulated depreciation for:				
Airport improvements	113,387	28,259	-	141,646
Buildings	161,983	25,781	-	187,764
Machinery and equipment	355,321	78,553	-	433,874
Infrastructure	2,703,215	455,193	-	3,158,408
Total accumulated depreciation	3,333,906	587,786	-	3,921,692
Total capital assets, being depreciated, net	13,139,703	(210,052)	-	12,929,651
Business-type activities capital assets, net	$ 15,364,340	$ 2,601,507	$ (227,364)	$ 17,738,483

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	$ 207,857
Judicial	8,035
Public safety	895,230
Public works	583,697
Health and welfare	40,240
Culture and recreation	5,293
Housing and development	34,049
Total depreciation expense - governmental activities	$ 1,774,401
Business-type activities:	
Water Fund	$ 511,275
Airport Fund	76,511
Total depreciation expense - business-type activities	$ 587,786

B. Discretely Presented Component Unit – Department of Public Health

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Machinery and equipment	$ 48,883	$ -	$ -	$ 48,883
Vehicles	20,011	-	-	20,011
Total capital assets, being depreciated	68,894	-	-	68,894
Less accumulated depreciation for:				
Machinery and equipment	30,157	4,034	-	34,191
Vehicles	3,335	4,002	-	7,337
Total accumulated depreciation	33,492	8,036	-	41,528
Total capital assets, net	$ 35,402	$ (8,036)	$ -	$ 27,366

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2009, is as follows:

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Nonmajor governmental funds	$ 285,429
General Fund	SPLOST Fund	27,215
Nonmajor governmental funds	General Fund	18,971
Water Fund	SPLOST Fund	78,986

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	$ 22,453
Nonmajor governmental funds	General Fund	517,859
General Fund	Airport Fund	161,599

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

Advances to/from other funds are as follows:

Receivable fund	Payable fund	Amount
General Fund	Water Fund	1,701,022

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

NOTE 8. SHORT-TERM BORROWINGS

The County paid off a tax anticipation note for operating purposes of $3,500,500 at a local financial institution. The note carried an interest rate of 3.60% and matured on December 31, 2009. As of December 31, 2009, the principal was paid in full.

Total short-term borrowings interest incurred and expensed for the period ended December 31, 2009, was $56,886.

The following is a summary of the tax anticipation note payable for the period ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ -	$ 3,500,500	$ (3,500,500)	$ -

NOTE 9. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended December 31, 2009:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental activities					
Capital leases	$ 650,940	$ -	$ (116,328)	$ 534,612	$ 141,745
Notes payable	10,228,710	400,000	(1,021,832)	9,606,878	1,060,291
Compensated absences	161,732	292,708	(273,741)	180,699	180,699
Net pension (asset) obligation	(179,645)	397,433	(200,580)	17,208	-
Net OPEB obligation	-	250,120	-	250,120	-
Landfill postclosure costs	261,318	101,538	(22,853)	340,003	13,600
Governmental activities long-term liabilities	$ 11,123,055	$ 1,441,799	$ (1,635,334)	$ 10,929,520	$ 1,396,335
Business-type activities					
Notes payable	$ 1,772,688	$ -	$ (124,985)	$ 1,647,703	$ 130,601
Note payable to component unit	-	956,947	-	956,947	-
Bonds payable	7,106,776	-	(91,182)	7,015,594	95,356
Compensated absences	13,739	20,516	(21,844)	12,411	12,411
Business-type activities long-term liabilites	$ 8,893,203	$ 977,463	$ (238,011)	$ 9,632,655	$ 238,368

For governmental funds, compensated absences, net pension obligation, net OPEB obligation, and landfill postclosure costs are liquidated by the General Fund. The County has reported 100% of the compensated absence liability as due in one year, as the County expects to use earned vacation within one year.

NOTE 9. LONG-TERM DEBT (CONTINUED)

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

The cost of assets under capital leases as of December 31, 2009 is as follows:

	Governmental Activities
Equipment	$ 885,501

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

	Governmental Activities
Year ending December 31	
2010	$ 162,522
2011	280,062
2012	126,571
Less amount representing interest	(34,543)
Present value of future minimum lease payments	$ 534,612

Notes Payable. The County has entered into various agreements with financial institutions to finance the purchase of buildings and equipment. The notes have annual payments ranging from $26,026 to $712,247 with interest rates from 3.745% to 5.79% and maturity dates from 2012 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
2010	$ 1,060,291	$ 365,351	$ 1,425,642
2011	1,103,473	322,244	1,425,717
2012	1,136,578	277,426	1,414,004
2013	1,053,151	232,818	1,285,969
2014	1,097,585	188,385	1,285,970
2015-2019	3,981,071	381,492	4,362,563
2020	174,729	1,791	176,520
Total	$ 9,606,878	$ 1,769,507	$ 11,376,385

NOTE 9. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued). The County has also entered into various agreements with the Georgia Environmental Facilities Authority to finance the construction of water lines. As of December 31, 2009, the County had three (3) such loan agreements with an outstanding balance of $1,647,703. Quarterly installments of principal and interest are due through 2025 with interest rates from 2.0% to 3.66%.

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

Year ending December 31,	Principal	Interest	Total
2010	$ 130,601	$ 67,241	$ 197,842
2011	136,485	61,357	197,842
2012	142,649	55,193	197,842
2013	149,107	48,735	197,842
2014	150,331	41,982	192,313
2015-2019	534,274	119,060	653,334
2020-2024	383,197	40,567	423,764
2025	21,059	129	21,188
Total	$ 1,647,703	$ 434,264	$ 2,081,967

In 2009, the County entered into a loan agreement with the Development Authority to finance the construction of an airport taxiway. As of December 31, 2009, the loan has an outstanding balance of $956,947, including interest, and is still in the draw down phase. The repayment terms will be determined upon completion of the project when the final draw has been made. Interest accrues at 3.25%.

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

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

NOTE 9. LONG-TERM DEBT (CONTINUED)

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

Year ending December 31,	Principal	Interest	Total
2010	$ 95,356	$ 306,467	$ 401,823
2011	100,232	302,080	402,312
2012	104,823	297,489	402,312
2013	109,627	292,685	402,312
2014	114,652	287,660	402,312
2015-2019	657,164	1,354,396	2,011,560
2020-2024	822,701	1,188,859	2,011,560
2025-2029	1,030,417	981,143	2,011,560
2030-2034	1,291,184	720,376	2,011,560
2035-2039	1,132,724	428,073	1,560,797
2040-2044	1,057,582	217,298	1,274,880
2045-2047	499,132	22,094	521,226
Total	$ 7,015,594	$ 6,398,620	$ 13,414,214

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, 2009, the County has a remaining 25 years of monitoring. Engineering studies estimate postclosure costs of approximately $340,000 over the 25 year period. These costs are based on what it would cost to perform all postclosure care in 2009. 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.

NOTE 9. LONG-TERM DEBT (CONTINUED)

Industrial Development Authority – Component Unit.

The following is a summary of the Authority's long-term debt activity for the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 2,090,425	$ 950,000	$ (68,384)	$ 2,972,041	$ 95,993
	$ 2,090,425	$ 950,000	$ (68,384)	$ 2,972,041	$ 95,993

The Authority has entered into two note agreements to finance land development in the County. Because the land will be used for business purposes, the Authority has corresponding note receivables from a private company to pay off the debt. Monthly payments on the notes are $11,500 and $5,000 with maturity dates of March 25, 2025 and January 25, 2024, respectively. The current interest rate on both notes is 5.50%, however, the notes are refinanced annually at which time the interest rate changes.

In 2009, the Authority entered into a note agreement to finance the construction of an airport taxiway in the County. The Authority has a corresponding note receivable with the County to pay off the debt. As of December 31, 2009, the loan has an outstanding balance of $950,000 and is still in the draw down phase. The repayment terms will be determined upon completion of the project when the final draw has been made. Interest accrues at 3.25%.

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

Year ending December 31,	Principal	Interest	Total
2010	$ 95,993	$ 108,621	$ 204,614
2011	94,422	103,578	198,000
2012	99,748	98,252	198,000
2013	105,375	92,625	198,000
2014	111,319	86,681	198,000
2015-2019	658,175	331,825	990,000
2020-2024	835,190	124,393	959,583
2025	21,819	148	21,967
Total	$ 2,022,041	$ 946,123	$ 2,968,164

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

NOTE 10. DEFINED BENEFIT PLAN

Plan Description

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

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan is affiliated with the Association of County Commissioners of Georgia Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by GEBCorp. The ACCG, in its role as the Plan Sponsor, has the sole authority to amend the provisions of The ACCG Plan as provided in Section 19.03 of The ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan as provided in Section 19.02 of The ACCG Plan document. Complete financial statements for the Association of County Commissioners of Georgia (ACCG) Defined Benefit Pension Plan can be obtained from Pension Service Company, 3625 Cumberland Parkway, Suite 825, Suite 300, Atlanta, Georgia 30339.

Funding Policy

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

Annual Pension Cost

The County's annual pension cost and net pension obligation for the pension plan for the year beginning January 1, 2009, (the most recent actuarial valuation date) are as follows:

	January 1, 2009	January 1, 2008
Derivation of Annual Pension Cost		
Annual Required Contribution	$ 396,496	$ 346,691
Interest on Net Pension Obligation	(13,384)	(11,834)
Adjustment to Annual Required Contribution	14,321	12,486
Annual Pension Cost	$ 397,433	$ 347,343

NOTE 10. DEFINED BENEFIT PLAN (CONTINUED)

Derivation of Net Pension Obligation

Annual Pension Cost for Current Year	$ 397,433
Actual Contributions to Plan for Current Year	200,580
Increase in Net Pension Obligation	196,853
Net Pension Obligation (Asset) as of December 31, 2008	(179,645)
Net Pension Obligation (Asset) as of December 31, 2009	$ 17,208

Basis of Valuation

Current Valuation Date	January 1, 2009
Annual Return on Invested Plan Assets	7.75%
Projected Annual Salary Increases	5.0%
Expected Annual Inflation (included in above)	3.0%
Actuarial Value of Assets	Market Value
Actuarial Funding Method	Projected Unit Credit
Amortization Method	Level Percent of Pay (closed)
Remaining Amortization Period	10

Trend Information for The Plan

Fiscal Year Beginning	Annual Pension Cost (APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
1/1/09	$ 397,433	$ 200,580	50 %	$ 17,208
1/1/08	347,343	379,061	109	(179,645)
1/1/07	312,201	338,562	108	(147,927)

As of the most recent valuation date, January 1, 2009, the funded status of the Plan was as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	$ 2,311,404	$ 3,935,021	58.7 %	$ 1,623,617	$ 5,521,511	29.4 %

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2009.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Pickens County Retiree Medical Insurance Program (the "OPEB Plan") is a single-employer defined benefit post-employment health care plan or other post-employment benefit (OPEB) plan. The Plan covers all full-time employees of the County. Participant counts as of January 1, 2010, (the most recent valuation date), are shown below.

Eligible retirees and former employees are offered the same health coverage as active employees. Retirees contribute an average of $533 per month toward the actuarially calculated monthly rates. The County contributes the remainder of the rates. The Plan is funded on a pay-as-you-go basis. Eligible retirees must be a minimum age of 55 years with 15 or more years of consecutive full-time service in order to receive benefits. Eligible employees can elect to receive coverage for the spouses.

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the OPEB Plan as of January 1, 2010.

Active employees (fully eligible)	9
Active employees (not fully eligible)	265
Retirees	1
Total number of Plan participants	275

Annual OPEB Cost

The County's actuarially determined contribution, OPEB cost, and increase in net OPEB obligation for the year ended December 31, 2009 is as follows:

Annual required contribution	$ 250,120
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost	250,120
Contributions made	-
Increase in net OPEB obligation	250,120
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	$ 250,120

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

The schedule below shows the annual OPEB cost for the current year along with the percentage actually contributed by the County.

Schedule of Employer Cost and Contributions

Fiscal Year Ending	Annual Required Contribution	Actual County Contribution	Percentage of ARC Contributed	Net OPEB Obligation
12/31/09	$ 250,120	-	0%	$ 250,120

OPEB Plan

As of the most recent valuation date, January 1, 2010, the funded status of the OPEB Plan was as follows:

Actual Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL a Perctenatage of Covered Payroll
1/1/10	$ -	$ 1,444,428	$ 1,444,428	- %	$ 9,242,485	15.6 %

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2009. The assumptions used in the January 1, 2010 actuarial valuations are as follows:

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	4.00%
Medical Cost Trend Rate	10.50%
Ultimate Medical Cost Trend Rate	5.00%
Year of Ultimate Trend Rate	2017
Amortization Method	Level dollar, open
Remaining Amortization Period	30 years
Payroll Inflation Rate	3.00%

NOTE 12. 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 13. COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 14. 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, 2009, 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 2009. As a result, no balance sheet or income statement is presented in the audited financial statements of Pickens County at December 31, 2009.

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, 2009, the County paid $26,472 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

NOTE 14. JOINT VENTURE (CONTINUED)

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, 2009. 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 15. HOTEL/MOTEL TAX

The County has levied a 6% lodging tax. During the year ended December 31, 2009, the County collected $28,064 in revenues. Of this amount $28,064, or 100%, was expended on the promotion of tourism in accordance with the provisions of O.C.G.A. 48-13-51

REQUIRED SUPPLEMENTARY INFORMATION

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Taxes	$ 13,794,508	$ 13,794,507	$ 12,875,160	$ (919,347)
Licenses and permits	624,550	312,000	311,567	(433)
Intergovernmental	1,202,119	1,820,000	1,817,515	(2,485)
Charges for services	2,278,475	3,650,000	3,650,148	148
Fines and forfeitures	383,200	350,000	349,627	(373)
Interest income	77,500	27,000	26,698	(302)
Other revenues	40,901	50,800	37,564	(13,236)
Contributions	1,500	96,200	96,158	(42)
Total revenues	18,402,753	20,100,507	19,164,437	(936,070)
Expenditures:				
Current:				
General government:				
Legislative	148,571	150,279	150,279	-
Commissioner	127,171	125,024	125,024	-
Board of elections	155,356	141,276	141,276	-
General administration	279,285	295,587	295,587	-
Financial administration	152,157	150,748	150,748	-
Accounting	90,762	91,095	91,095	-
Human resources	49,763	49,419	49,419	-
Law	125,000	77,167	77,167	-
Tax commissioner	523,131	529,304	529,304	-
Tax assessor	481,516	493,591	493,591	-
General government buildings	521,141	978,360	945,122	33,238
Public information	89,400	81,183	81,183	-
General administration fees	30,000	27,270	27,270	-
Total general government	2,773,253	3,190,303	3,157,065	33,238
Judicial:				
Judicial administration	55,826	57,587	57,587	-
Family information law center	-	103,466	100,467	2,999
Superior court	155,200	183,872	183,872	-
Visitation center	36,705	35,926	35,926	-
Clerk of superior court	579,981	543,613	543,613	-
District attorney	483,167	464,528	464,528	-
Magistrate court	283,994	296,782	296,782	-
Probate court	306,746	306,563	306,563	-
Juvenile court	590,736	616,215	606,212	10,003
Grand jury	6,425	5,938	5,938	-
Law library	2,493	45	45	-
Public defender	307,824	280,178	280,178	-
Total judicial	$ 2,809,097	$ 2,894,713	$ 2,881,711	$ 13,002

(Continued)

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Current: (Continued)				
Public safety:				
Public safety administration	$ -	$ 665	$ 665	$ -
Sheriff	129,226	133,750	133,750	-
Law enforcement administration	1,044,107	1,004,698	1,004,698	-
Criminal investigation	418,296	361,936	361,936	-
Uniform patrol	1,263,772	1,620,084	1,608,578	11,506
Jail operations	1,618,704	1,587,455	1,587,455	-
Sheriff office and building	220,300	196,983	196,983	-
Emergency medical services	-	397,910	397,910	-
Adult probation and parole	466,488	474,828	474,828	-
Fire fighting	928,308	972,068	1,063,264	(91,196)
Fire stations and building	-	-	5,927	(5,927)
EMS administration	142,664	195,980	195,975	5
EMS operations	1,715,373	2,349,691	2,349,691	-
EMS stations and buildings	44,100	48,708	48,708	-
Coroner	33,461	42,217	42,217	-
Emergency 911	-	17,260	17,260	-
Animal rescue	16,000	8,000	8,000	-
Emergency management agency	-	7,571	7,571	-
Total public safety	8,040,799	9,419,804	9,505,416	(85,612)
Public works:				
Public works administration	80,861	80,761	80,761	-
Highways and streets	100,232	98,058	98,058	-
Roadways and walkways	1,415,355	1,419,597	1,476,800	(57,203)
Paved streets	130,000	-	-	-
Unpaved streets	60,000	-	-	-
Bridges	20,000	443	443	-
Street lighting	10,000	7,799	7,799	-
Traffic engineering	75,554	100,284	100,284	-
Solid waste/recycling administration	611,325	607,124	607,124	-
Closure and post-closure costs	7,500	22,853	22,853	-
Public education	24,475	24,475	24,475	-
Maintenance and shop	119,451	41,869	41,869	-
Total public works	2,654,753	2,403,263	2,460,466	(57,203)
Health and welfare:				
Public health	83,500	84,457	84,456	1
Regulation and inspection	3,462	2,376	2,376	-
Buildings and plant	5,900	2,848	2,848	-
Welfare/other direct assistance	28,380	448,963	448,963	-
Senior citizens center	16,140	21,142	21,142	-
Transportation services	73,471	104,745	104,745	-
Total health and welfare	$ 210,853	$ 664,531	$ 664,530	$ 1

(Continued)

PICKENS COUNTY, GEORGIA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures: (Continued)				
Current: (Continued)				
Culture and recreation:				
Recreation	$ 142,651	$ 135,347	$ 135,347	$ -
Participation recreation	124,813	136,153	136,153	-
Recreation centers	24,124	169,733	169,733	-
Playgrounds	31,000	535	535	-
Swimming pools	26,090	27,707	27,707	-
Other recreational facilities	3,842	-	-	-
Spectator recreation	3,950	1,992	1,992	-
Special facilities	30,874	33,876	33,876	-
Park areas	176,953	10,561	10,561	-
Park lighting	5,400	670	670	-
Libraries	271,155	289,722	289,722	-
Total culture and recreation	840,852	806,296	806,296	-
Housing and development:				
County agent	-	1,000	1,000	-
Agricultural resources	64,523	65,425	65,425	-
Building inspection	290,369	251,476	251,476	-
Planning and zoning	477,819	598,143	598,143	-
Assistance administration	50,000	42,122	42,122	-
Total housing and development	882,711	958,166	958,166	-
Debt service:				
Principal	400,835	400,835	276,963	123,872
Interest	72,913	72,913	87,511	(14,598)
Total debt service	473,748	473,748	364,474	109,274
Total expenditures	18,686,066	20,810,824	20,798,124	12,700
Deficiency of revenues under expenditures	(283,313)	(710,317)	(1,633,687)	(923,370)
Other financing sources (uses):				
Transfers in	-	-	184,052	184,052
Transfers out	(608,189)	(683,074)	(517,859)	165,215
Capital lease proceeds	-	400,000	400,000	-
Sale of capital assets	15,000	15,000	19,901	4,901
Total other financing sources (uses)	(593,189)	(268,074)	86,094	354,168
Net change in fund balance	(876,502)	(978,391)	(1,547,593)	(569,202)
Fund balance, beginning of year	6,579,457	6,579,457	6,579,457	-
Fund balance, end of year	$ 5,702,955	$ 5,601,066	$ 5,031,864	$ (569,202)

PICKENS COUNTY, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Defined Benefit Pension 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
12/31/2009	$ 2,311,404	$ 3,935,021	$ 1,623,617	58.7 %	$ 5,521,511	29.4 %
12/31/2008	2,160,646	3,399,887	1,239,241	63.6	5,086,422	24.4
12/31/2007	1,861,565	2,918,668	1,057,103	63.8	4,648,606	22.7
12/31/2006	1,496,176	2,468,560	972,384	60.6	4,056,284	24.0
12/31/2005	1,158,720	2,171,503	1,012,783	53.4	3,388,324	29.9
12/31/2004	878,878	1,782,690	903,812	49.3	2,987,367	30.3

Note: See assumptions used for the Schedule of Funding Progress in Note 10 to the financial statements.

Other Post-Employment Benefits 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
1/1/2010	$ -	$ 1,444,428	$ 1,444,428	0.0 %	$ 9,242,485	15.6 %

Note: See assumptions used for the Schedule of Funding Progress in Note 11 to the financial statements.

* First year of implementation

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.

System of Care Grant Fund is used to account for grant monies received from the State of Georgia for the purpose of enhancing the safety of children.

Mental Health Court Fund is used to account for grant monies received for the purpose of planning and implementing a Mental Health Court.

PICKENS COUNTY, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Special Revenue Funds						
ASSETS	**E911**	**Drug Task Force**	**Revolving Loan**	**Hotel/Motel Tax**	**Adult Drug Court**	**Appalachian Pre-Trial and Probation**	**CASA**
Cash and cash equivalents	$ 10,216	$ 71,007	$ 11,505	$ 11,563	$ 81,770	$ 61,178	$ 22,016
Accounts receivable	48,246	-	-	699	-	-	-
Accounts receivable - loans	-	-	27,150	-	-	-	-
Due from other governments	-	313,409	-	-	6,377	245	155,455
Due from other funds	-	-	-	-	-	-	10,000
Investments	-	-	-	-	-	-	-
Total assets	$ 58,462	$ 384,416	$ 38,655	$ 12,262	$ 88,147	$ 61,423	$ 187,471
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 1,647	$ 3,193	$ 9,005	$ 3,783	$ 4	$ 30	$ 9,610
Accrued liabilities	2,321	21,645	-	-	-	-	-
Due to other funds	-	139,016	-	-	5,739	42,792	75,599
Total liabilities	3,968	163,854	9,005	3,783	5,743	42,822	85,209
FUND BALANCES							
Reserved for revolving loans	-	-	27,150	-	-	-	-
Unreserved, undesignated	54,494	220,562	2,500	8,479	82,404	18,601	102,262
Total fund balances	54,494	220,562	29,650	8,479	82,404	18,601	102,262
Total liabilities and fund balances	$ 58,462	$ 384,416	$ 38,655	$ 12,262	$ 88,147	$ 61,423	$ 187,471

Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	System of Care Grant	Mental Health Court	Total Nonmajor Governmental Funds
$ 27,897	$ 12,077	$ 29,765	$ 36,032	$ 27,042	$ -	$ 142	$ 402,210
-	-	37	-	-	58,490	-	107,472
-	-	-	-	-	-	-	27,150
3,495	4,298	-	-	41,660	-	-	524,939
-	-	-	-	-	-	8,971	18,971
-	-	20,731	-	-	-	-	20,731
$ 31,392	$ 16,375	$ 50,533	$ 36,032	$ 68,702	$ 58,490	$ 9,113	$ 1,101,473
$ -	$ 620	$ -	$ -	$ 3,925	$ 30,917	$ 9	$ 62,743
-	-	-	-	-	-	-	23,966
-	3,340	199	-	5,297	6,303	7,144	285,429
-	3,960	199	-	9,222	37,220	7,153	372,138
-	-	-	-	-	-	-	27,150
31,392	12,415	50,334	36,032	59,480	21,270	1,960	702,185
31,392	12,415	50,334	36,032	59,480	21,270	1,960	729,335
$ 31,392	$ 16,375	$ 50,533	$ 36,032	$ 68,702	$ 58,490	$ 9,113	$ 1,101,473

PICKENS COUNTY, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds						
	E911	Drug Task Force	Revolving Loan	Hotel/Motel Tax	Adult Drug Court	Appalachian Pre-Trial and Probation	CASA
Revenues:							
Taxes	$ -	$ -	$ -	$ 28,064	$ -	$ -	$ -
Fines and forfeitures	-	30,449	-	-	-	1,050,450	-
Intergovernmental	-	240,869	-	-	65,049	49,345	214,003
Charges for services	450,216	-	-	-	76,778	-	-
Interest income	924	664	1,922	455	1,226	1,108	-
Other revenues	-	-	-	-	15,675	-	-
Total revenues	451,140	271,982	1,922	28,519	158,728	1,100,903	214,003
Expenditures:							
Current:							
Judicial	-	-	-	-	155,672	1,128,302	183,118
Public safety	942,928	329,982	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Housing and development	-	-	17,982	68,904	-	-	-
Total expenditures	942,928	329,982	17,982	68,904	155,672	1,128,302	183,118
Excess (deficiency) of revenues over (under) expenditures	(491,788)	(58,000)	(16,060)	(40,385)	3,056	(27,399)	30,885
Other financing sources (uses):							
Transfers in	447,124	57,735	-	-	-	-	10,000
Transfers out	-	-	-	(22,453)	-	-	-
Total other financing sources (uses)	447,124	57,735	-	(22,453)	-	-	10,000
Net change in fund balances	(44,664)	(265)	(16,060)	(62,838)	3,056	(27,399)	40,885
Fund balances, beginning of year	99,158	220,827	45,710	71,317	79,348	46,000	61,377
Fund balances, end of year	$ 54,494	$ 220,562	$ 29,650	$ 8,479	$ 82,404	$ 18,601	$ 102,262

Victims of Crime Assistance	Domestic Victims Visitation	Law Library	Commissary Commissions	Family Drug Court	System of Care Grant	Mental Health Court	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 28,064
-	-	24,265	-	-	-	-	1,105,164
40,835	25,488	-	-	194,580	58,490	9,483	898,142
-	-	-	-	-	-	-	526,994
336	-	769	293	-	-	-	7,697
-	10,896	-	71,997	-	-	-	98,568
41,171	36,384	25,034	72,290	194,580	58,490	9,483	2,664,629
56,820	35,909	15,157	-	180,113	-	10,523	1,765,614
-	-	-	45,964	-	-	-	1,318,874
-	-	-	-	-	37,220	-	37,220
-	-	-	-	-	-	-	86,886
56,820	35,909	15,157	45,964	180,113	37,220	10,523	3,208,594
(15,649)	475	9,877	26,326	14,467	21,270	(1,040)	(543,965)
-	-	-	-	-	-	3,000	517,859
-	-	-	-	-	-	-	(22,453)
-	-	-	-	-	-	3,000	495,406
(15,649)	475	9,877	26,326	14,467	21,270	1,960	(48,559)
47,041	11,940	40,457	9,706	45,013	-	-	777,894
$ 31,392	$ 12,415	$ 50,334	$ 36,032	$ 59,480	$ 21,270	$ 1,960	$ 729,335

PICKENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER 31, 2009

2003 SPLOST	Estimated Cost		Expenditures		
Project	Original	Current	Prior Years	Current Year	Total
Fire department equipment, fire trucks and construction of new fire houses	$ 2,250,000	$ 2,266,594	$ 1,933,875	$ 332,719	$ 2,266,594
Emergency medical services equipment and construction of new EMS facilities	1,250,000	1,250,000	567,779	540,482	1,108,261
Emergency 911 facilities improvements	450,000	529,000	505,748	23,240	528,988
Sheriff department facilities remodeling and upgrade	6,000,000	10,130,000	8,281,871	716,265	8,998,136
Water department facilities and water line improvements	4,500,000	3,500,000	2,107,155	150,370	2,257,525
Paving and resurfacting of roads	7,550,000	5,217,000	4,736,845	479,835	5,216,680
	$ 22,000,000	$ 22,892,594	$ 18,133,273	$ 2,242,911	$ 20,376,184

2008 SPLOST	Estimated Cost		Expenditures		
Project	Original	Current	Prior Years	Current Year	Total
Renovation, repair, remodeling, modification, construction, and equipping of existing courthouse and new parking facility	$ 17,000,000	$ 17,000,000	$ -	$ 64,445	$ 64,445
Repayment of principal and interest on administrative building debt	2,726,000	2,726,000	194,928	389,856	584,784
Repayment of principal and interest on adult detention center debt	3,200,000	3,200,000	-	-	-
Parks and recreation facilities	3,000,000	3,000,000	-	-	-
Library faciliites	2,000,000	2,000,000	-	-	-
Public safety equipment	1,500,000	1,500,000	-	-	-
City of Jasper - road projects	954,889	954,889	-	-	-
City of Nelson					
Road projects	65,000	65,000	-	-	-
Public safety	30,000	30,000	-	-	-
Recreation faciliites	15,780	15,780	-	-	-
City of Talking Rock - city hall and community building	31,975	31,975	-	-	-
Improvements of existing water facilities and water lines	2,000,000	2,000,000	-	-	-
Paving and resurfacting of roads, streets, and buildings	1,476,356	1,476,356	-	-	-
	$ 34,000,000	$ 34,000,000	$ 194,928	$ 454,301	$ 649,229

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, 2009

ASSETS	Clerk of Superior Court	Judge Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total
Cash and cash equivalents	$ 258,481	$ 12,271	$ 7,819	$ 12,157	$ 116,988	$ 407,716
Taxes receivable	-	-	-	-	5,032,247	5,032,247
Total assets	$ 258,481	$ 12,271	$ 7,819	$ 12,157	$ 5,149,235	$ 5,439,963
LIABILITIES						
Due to others	$ 258,481	$ 12,271	$ 7,819	$ 12,157	$ 116,988	$ 407,716
Uncollected taxes	-	-	-	-	5,032,247	5,032,247
Total liabilities	$ 258,481	$ 12,271	$ 7,819	$ 12,157	$ 5,149,235	$ 5,439,963

COMPONENT UNIT – INDUSTRIAL DEVELOPMENT AUTHORITY

PICKENS COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - INDUSTRIAL DEVELOPMENT AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	61,437
Payments to suppliers		(127,410)
Net cash used in operating activities		(65,973)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		112,708
Net cash provided by investing activities		112,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest paid on capital debt		(112,269)
Net cash used in capital and related financing activities		(112,269)
Net decrease in cash and cash equivalents		(65,534)
Cash and cash equivalents:		
Beginning of year		183,944
End of year	$	118,410
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(25,544)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Increase in accounts receivable		(40,000)
Decrease in notes receivable		61,437
Increase in accounts payable		6,518
Decrease in notes payable		(68,384)
Net cash used in operating activities	$	(65,973)
Noncash capital and related financing activities:		
Issuance of note payable with corresponding note receivable	$	956,947

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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 24, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Pickens County Department of Public Health, as described in our report of the County's financial statements. 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.

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 opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assuarance that all deficiences, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider items 2009-1 through 2009-5 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2009-6 described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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 June 24, 2010.

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

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



Atlanta, Georgia
June 24, 2010

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, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Pickens County Department of Public Health which received $147,637 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ending December 31, 2009. Our audit, described below, did not include the operations of the Pickens County Department of Public Health because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, Pickens County, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.



Atlanta, Georgia
June 24, 2010

PICKENS COUNTY, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Grantor Number	Total Expenditures
U.S. Department of Health and Human Services			
Passed through Georgia Department of Human Resources			
Promoting Safe and Stable Families	93.556	MOU-2009-010-00210	$ 25,488
Promoting Safe and Stable Families	93.556	MOU 2009-918-3243	50,238
			75,726
Passed through Appalachian Judicial Circuit			
Family Dependence Treatment	93.087	14103.01.01	148,517
Total Department of Health and Human Services			224,243
U.S. Department of Housing and Urban Development			
Passed through Georgia Department of Community Affairs			
Community Development Block Grant	14.218	07p-y-112-1-3327	410,000
U.S. Department of Transportation			
Passed through Georgia Department of Transportation			
Formula Grant for Other than Urbanized Areas	20.509	MTGG-000-139-00-200	27,578
Airport Improvement Program	20.106	AP080-9899-16(227)	1,099,494
Total Department of Transportation			1,127,072
U.S. Department of Justice			
Passed through Criminal Judicial Council			
Edward Byrne Memorial Formula Grant Program	16.579	B07-8-057	126,085
Violence Against Women Formula Grants	16.588	W070-8-037	40,835
			166,920
State Criminal Alien Assistance Program	16.606	2009-SB-B9-2899	8,869
Bureau of Justice Assistance	16.607	14103.01.01	4,591
Bureau of Justice Assistance	16.745	2009-MO-BX-0028	8,971
Total Department of Justice			189,351
Total Federal Expenditures			$ 1,950,666

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, 2009

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 ___ none reported
Noncompliance material to financial statements noted?	____ yes __X__ none reported

Federal Awards

Internal Control over major programs:	
Material weaknesses identified?	____ yes __X__ none reported
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 programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
20.106	Airport Improvement Program

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

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2009-1. Receivables and Related Revenues/Liabilities

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

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

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

- An audit adjustment of approximately $390,000 was required to decrease property taxes receivable and deferred revenue of the General Fund to correct amounts previously provided to the County's finance department by the Tax Commissioner's office.
- An audit adjustment of approximately $1,966,700 was required to reduce overstated receivables and related liabilities in the Tax Commissioner Agency Fund.

Effects: Total misstatements were approximately $2,356,700 for receivables and related revenues/liabilities for the year ended December 31, 2009.

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-2. Expenditure/Expense Recognition

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

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

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

- An adjustment of approximately $91,800 was required in the SPLOST Fund to report debt service payments made in advance of the due date as prepaid expenditures.
- The Development Authority required an adjustment of approximately $40,700 to record interest expense and the related accrual for interest incurred on notes payable as of December 31, 2009.

Effects: Audit adjustments totaling approximately $132,500 were needed to correctly report expenditures/expenses and related liabilities.

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-3. Interfund Balances

Criteria: Internal controls should be in place to ensure that transactions between funds are reported correctly and in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of certain transactions between the County's funds.

Context/Cause: During our audit, certain audit adjustments were required to correct interfund balances.

- An audit adjustment of approximately $235,000 was required in the General Fund to correctly report a transfer out that was improperly recorded on the Airport Fund. An adjustment of the same amount was required on the Airport Fund.
- The General Fund required an adjustment of approximately $49,700 to record an interfund receivable due from the Tax Commissioner's office as of December 31, 2009. An adjustment of the same amount was required on the Tax Commissioner's Fund.

Effects: Approximately $284,700 of adjustments were required in the reporting of interfund balances.

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-4. Timely Reporting of Accurate Financial Information

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

Condition: Internal controls and financial reporting procedures were not sufficient to facilitate the accurate, timely reporting of the County's overall financial position and results of operations as of and for the year ended December 31, 2009.

Context/Cause: The County did not complete its year-end closing process to provide final trial balances and subsidiary ledgers necessary for auditing the majority of its funds for the year ended December 31, 2009 until mid-May 2010. Additionally, several subsidiary listings and schedules, including capital assets, debt schedules and schedules of federal awards, were not provided until May and June 2010.

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

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-5. Segregation of Duties

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

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

- Appropriate segregation of duties does not exist among custody, receipting, recording, distribution, reconciliation of cash accounts and other operational functions in the various funds maintained by the County. In addition to the County, this is especially prominent in the offices of the Probate Court, Magistrate Court, Clerk of Court, Sheriff's Office, and Tax Assessor.
- Individuals who post cash receipts to the receivable subledger also (1) maintain or authorize receivable adjustments; (2) process customer service calls or complaints; (3) open the mail or copy checks received; (4) prepare deposits; (5) deposit cash receipts; and (6) reconcile the bank accounts.
- Cashier funds are not counted and reconciled at the end of each shift and reconciliations reviewed by a supervisor.
- Individuals who reconcile the bank accounts also maintain access to the cash and can investigate discrepancies or issues related to cash.
- Individuals who investigate discrepancies or issues related to cash also maintain the cash receipts journal, post journal entries to the general ledger, monitor suspense or clearing account usage, maintain the chart of accounts, edit transactional data or approve edits of transactional data.
- Individuals who approve usage and billing cycles also review accounts receivable aging trial balances; authorize write-offs of delinquent accounts; independently investigate account discrepancies; maintain or authorize account adjustments; edit receivable master files; and process service calls or complaints.
- Individuals who process water bills are not independent of the collection function.
- Individuals who initiate purchase orders can initiate checks; approve purchase orders; prepare or issue debit memos; input purchase orders; verify or process inventory; investigate discrepancies or issues with expenditures, inventory, capital assets, debt or cash; and process sales orders.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-5. Segregation of Duties (Continued)

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

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

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

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

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

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

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-6. 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, 2009, we noted that the Clerk of Court (general account and ultra account), and Sheriff's Office (inmate's account and main operating account) had $943, $18,000, $4,282, and $279, respectively, in bank accounts for which no comprehensive detail listing was available to identify to whom the funds were owed. Additionally, we noted the Clerk of Court's jury script account was overdrawn by $943.

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

- The Clerk of Court did not have a subsidiary detail of $943 of cash deposited in the general account.
- The Clerk of Court did not have a subsidiary detail of $18,000 of cash deposited in the ultra account.
- The Clerk of Court's jury script account was overdrawn by $943 as of December 31, 2009.
- The Sheriff's inmate account did not have a subsidiary detail of approximately $4,282 of the approximately $9,800 of inmate funds on deposit.
- The Sheriff's main operating account did not have a subsidiary detail of $279 of cash.

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.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (Continued)

2009-6. Unidentified Funds - Constitutional Offices (Continued)

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

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

PICKENS COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

PICKENS COUNTY, GEORGIA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

None reported