PICKENS COUNTY, GEORGIA
FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

PICKENS COUNTY, GEORGIA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Commissioner Robert Jones
Pickens County, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Health Department, a component unit of Pickens County, Georgia, which represents 4.8 percent, 44.9 percent, and 84.3 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pickens County Health Department, is based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the

discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia, as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pickens County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and the state reporting section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the state reporting section, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the state reporting section, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pickens County, Georgia's internal control over financial reporting and compliance.

R L Jennings & Associates, PC

Ellijay, Georgia
December 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Pickens County, Georgia (the "County"), we provide this narrative overview and analysis of the financial activities of the County for the year ended December 31, 2012. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

The County's assets exceeded its liabilities by $48,235,408 (net position) for the year reported. This represents an increase of $1,472,599 over the previous year. Of this amount $85,103 (unrestricted net position) may be used to meet the County's ongoing obligations.
Total net position is comprised of the following:

1. Capital assets, net of related debt, equaled $45,635,078.
2. Net assets of $ 2,515,227 are restricted for debt service, capital outlay, or by other constraints imposed by law or regulations.
3. At the end of fiscal year 2012, unrestricted net position decreased by $1,344,676 from $1,429,779 to $ 85,103.

The County's governmental funds reported total ending fund balance of $6,610,807. This compares to the prior year ending fund balance of $10,579,747 showing a decrease of $3,968,940 during the current year.

At the end of fiscal year 2012, unassigned fund balance for the County's governmental funds was $4,062,155.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the County's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government – wide statements and fund financial statements. This report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances and are more comparable to the financial statements of private-sector businesses. The government-wide statements provide both short and long-term information about the County's financial status as a whole. Government-wide statements report the County's net position and how it has changed. Net position is the difference between the

County's total assets and total liabilities. Changes in net position indicate the improvement (an increase) or deterioration (a decrease) in the County's financial condition.

The first of these government-wide statements is the *Statement of Net Position.* This statement presents information that includes all of the County's assets and liabilities, with the difference reported as total net position.

The second government-wide statement is the *Statement of Activities* which indicates how the County's net position changed during the current fiscal year. This report is designed to show the financial reliance of the County's activities and functions on revenues provided by County taxpayers.

The government-wide statements are divided into governmental activities, business-type activities, and component units.

Governmental activities include most of the County's basic services such as general administration, public safety, public works, court systems, culture and recreation, health and welfare, and housing and development. Property taxes, sales taxes, and state and federal grants finance most of these activities.

Business type activities are those that the County charges customers to provide. These include water and sewer services and the Pickens County Airport.

Component Units for the County include the Development Authority and the Pickens County Department of Public Health.

Fund Financial Statements

Pickens County, like all other governmental entities in Georgia, uses fund accounting to ensure compliance with finance-related laws and regulations. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the County can be classified as governmental funds, proprietary funds, or fiduciary funds.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. These funds focus on how assets can readily be converted into cash and the amount of funds left at year-end that will be available for spending in the next fiscal year. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are financial resources available to finance the County's programs. Most of the County's basic services are accounted for in governmental funds.

Proprietary funds are used to report the functions presented as business-type activities in the government-wide financial statements. Pickens County uses enterprise funds to account for the Water and Sewer Department and the Airport.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Government. Pickens County's fiduciary funds are considered agency funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data presented in both the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Government-wide Financial Analysis

The table below presents the County's condensed *Statement of Net Position.* Comparison analysis is made from the year ended December 31, 2011 to the year ended December 31, 2012 as required by GASB Statement No. 34

	Governmental Activities		Business - Type Activities		TOTAL	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	$ 10,977,371	$ 13,107,200	$ (2,047,788)	$ (1,787,755)	$ 8,929,583	$ 11,319,445
Capital assets (net of depreciation)	$ 41,112,089	$ 35,005,835	$ 20,463,252	$ 19,660,729	$ 61,575,341	$ 54,666,564
TOTAL ASSETS	$ 52,089,460	$ 48,113,035	$ 18,415,464	$ 17,872,974	$ 70,504,924	$ 65,986,009
Liabilities						
Current liabilities	$ 4,753,904	$ 2,449,756	$ 4,615,140	$ 763,589	$ 9,369,044	$ 3,213,345
Noncurrent liabilities	$ 4,550,947	$ 4,585,776	$ 8,349,525	$ 11,492,847	$ 12,900,472	$ 16,078,623
TOTAL LIABILITIES	$ 9,304,851	$ 7,035,532	$ 12,964,665	$ 12,256,436	$ 22,269,516	$ 19,291,968
Net Position						
Net investment in capital assets	$ 37,743,371	$ 30,776,078	$ 7,891,707	$ 7,862,797	$ 45,635,078	$ 38,638,875
Restricted	$ 2,515,227	$ 6,625,387		$ -	$ 2,515,227	$ 6,625,387
Unrestricted	$ 2,526,011	$ 3,676,038	$ (2,440,908)	$ (2,246,259)	$ 85,103	$ 1,429,779
TOTAL NET POSITION	$ 42,784,609	$ 41,077,503	$ 5,450,799	$ 5,616,538	$ 48,235,408	$ 46,694,041

Over time, net position serves as a useful indicator of a government's financial position. The County's combined net assets (government and business-type activities) totaled $48,235,408 at December 31, 2012 compared to $46,694,041 at December 31, 2011. The total increase was $1,541,367.

The largest portion of net assets, $45,635,078 (94.6%), reflects the County's investment in capital assets (land, buildings, machinery and equipment) less accumulated depreciation and any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future

spending. Although the County's investments in capital assets are reported net of outstanding debt, the resources needed to repay the debt must be provided by other sources as the capital assets cannot be liquidated to pay the liabilities. The County has $2,515,227 (5.2%) of restricted net assets that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The remaining portion of net assets represents $85,103 of unrestricted net assets that are available to meet the County's ongoing obligations.

The table below presents the County's condensed *Statement of Activities* for the year ended December 31, 2012 with comparative amounts for the year ended December 31, 2011.

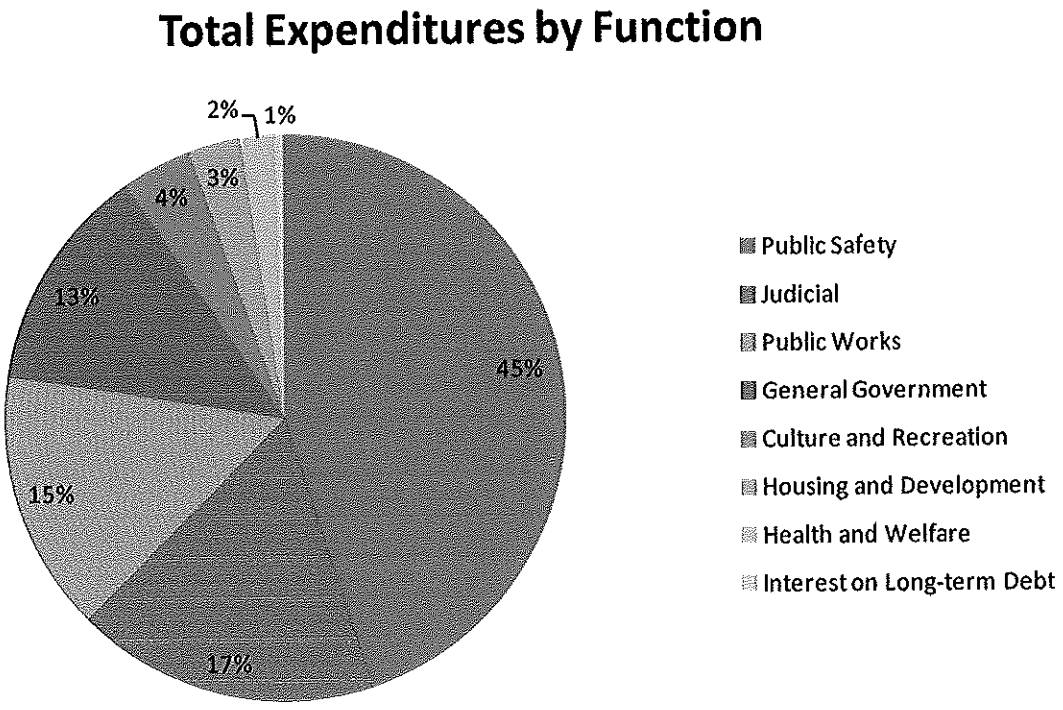
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	$ 4,989,773	$ 6,029,731	$ 2,081,411	$ 2,105,627	$ 7,071,184	$ 8,135,358
Operating Grants & Contributions	$ 2,867,146	$ 2,750,781	$ 69,579	$ -	$ 2,936,725	$ 2,750,781
Capital Grants & Contributions	$ 80,673	$ 310,426	$ 300,000	$ 259,914	$ 380,673	$ 570,340
General Revenues:						
Property Taxes	$ 9,857,351	$ 8,846,064			$ 9,857,351	$ 8,846,064
Sales & Use Tax	$ 6,951,031	$ 6,842,446			$ 6,951,031	$ 6,842,446
Insurance Premium Tax	$ 1,118,532	$ 1,047,004			$ 1,118,532	$ 1,047,004
Franchise Tax	$ 130,192	$ 99,884			$ 130,192	$ 99,884
Other Taxes	$ 219,200	$ 354,264			$ 219,200	$ 354,264
Interest and Investment earnings	$ 42,397	$ 64,410	$ 1,068	$ 2,242	$ 43,465	$ 66,652
Other Revenue	$ 182,096	$ 70,125		$ -	$ 182,096	$ 70,125
Transfers		$ (330,157)		$ 330,157	$ -	$ -
TOTAL REVENUES	$ 26,438,391	$ 26,084,978	$ 2,452,058	$ 2,697,940	$ 28,890,449	$ 28,782,918
Expenses						
General Government	$ 3,769,984	$ 3,113,634			$ 3,769,984	$ 3,113,634
Judicial	$ 4,368,623	$ 4,946,365			$ 4,368,623	$ 4,946,365
Public Safety	$ 11,238,865	$ 11,291,698			$ 11,238,865	$ 11,291,698
Public Works	$ 3,266,210	$ 3,040,707			$ 3,266,210	$ 3,040,707
Health and Welfare	$ 396,762	$ 288,882			$ 396,762	$ 288,882
Culture and Recreation	$ 994,619	$ 840,646			$ 994,619	$ 840,646
Housing and Development	$ 667,118	$ 684,064			$ 667,118	$ 684,064
Interest on Long-Term Debt	$ 139,495	$ 226,090			$ 139,495	$ 226,090
Water and Sewer			$ 2,238,386	$ 2,328,292	$ 2,238,386	$ 2,328,292
Airport			$ 337,788	$ 430,316	$ 337,788	$ 430,316
TOTAL EXPENSES	$ 24,841,676	$ 24,432,086	$ 2,576,174	$ 2,758,608	$ 27,417,850	$ 27,190,694
Increase (decrease) in net position	$ 1,596,715	$ 1,652,892	$ (124,116)	$ (60,668)	$ 1,472,599	$ 1,592,224
Net position, beginning of year as restated	$ 41,187,894	$ 39,424,611	$ 5,574,915	$ 5,677,206	$ 46,762,809	$ 45,101,817
Net position, end of year	$ 42,784,609	$ 41,077,503	$ 5,450,799	$ 5,616,538	$ 48,235,408	$ 46,694,041

Governmental Activities Revenues increased the County's net position by $1,596,715. Property taxes, insurance premium tax and other taxes, which continue as the main source of revenue for governmental activities totaled $18,276,306 in 2012 compared to $17,189,662 in 2011, an increase of 6.3%.

Governmental Activities Expenses by function as reflected in the table above show that during 2012, the County expended 45% for Public Safety, 17.5% for Judicial, 13% for Public Works, 15% for General Government, 4% for Culture and Recreation, 3% for Housing and Development, 2% for Health and Welfare, and 0.5% for Interest on Long-term debt.

As a comparative, during fiscal year 2011, the County expended 46% for Public Safety, 20% for Judicial, 12% for Public Works, 13% for General Government, 3.5% for Culture and Recreation, 3% for Housing and Development, 1.5% for Health and Welfare, and 1% for Interest on Long-term debt.

Business-type activities decreased the County's net position by $124,116.



Financial Analysis of the County's Fund Financial Statements

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information is useful in assessing the Government's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The County's total governmental funds reported ending fund balance of $6,610,807. This compares to the prior year ending fund balance of $10,579,734 showing a decrease of $3,968,927 during the current year. At the end of fiscal year 2012, unassigned fund balance for the County's governmental funds was $4,062,155.

Major Governmental Funds: The General Fund is the chief operating fund of the County. It is used to account for all governmental financial resources not restricted by state or federal laws, local ordinances, or other imposed requirements.

The County's other major governmental fund is the SPLOST fund. The fund balance of the SPLOST fund decreased by $4,019,726 during the current fiscal year. This is primarily due to the cost of renovation and construction of the new Courthouse. The SPLOST fund has an ending balance of $2,088,153 which is restricted for capital projects as outlined in the 2008 SPLOST referendum.

Proprietary Funds: The County's proprietary fund statements provide the same type of information presented in the government-wide statements but in more detail.

Capital Assets and Debt Administration:

Capital Assets: The County's capital assets for governmental and business-type activities as of December 31, 2012 total $61,575,341 (net of accumulated depreciation). These assets include land, land improvements, infrastructure, buildings, machinery and equipment, furniture and fixtures, vehicles and construction in progress.

PICKENS COUNTY GEORGIA'S CAPITAL ASSETS
(Net of Depreciation)
For the Year Ended December 31, 2012

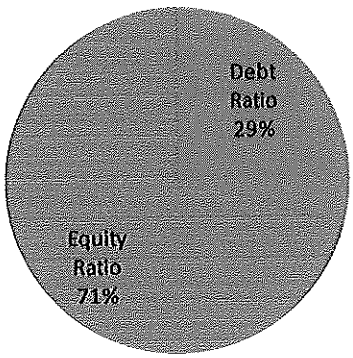
	Governmental Activities	Business-type Activities	Total
Land (not depreciated)	$ 3,147,241	$ 1,726,964	$ 4,874,205
Construction in progress	$ 8,313,470	$ 6,320,092	$ 14,633,562
Infrastructure	$ 6,389,564	$ 11,197,188	$ 17,586,752
Buildings and improvements	$ 19,755,213	$ 844,211	$ 20,599,424
Machinery and equipment	$ 2,351,405	$ 374,797	$ 2,726,202
Furniture and fixtures	$ 29,784	$ -	$ 29,784
Vehicles	$ 1,125,412		$ 1,125,412
Total	$ 41,112,089	$ 20,463,252	$ 61,575,341

Detailed information on the County's capital assets can be found in Note 9 of the basic financial statements.

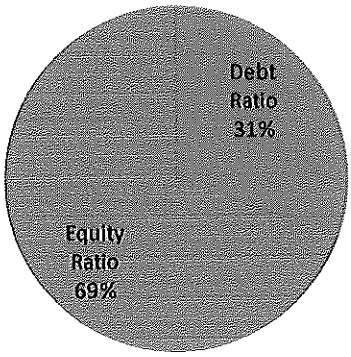
Long-term Debt: During fiscal year 2012 the long-term debt of Pickens County's governmental activities decreased $111,581. The decrease is attributed to continued repayment of debt with little increase in debt issued. Long-term debt increased in business-type activities in the amount of $887,240. This increase was due to a $750,000 draw by the Development Authority, (a component unit of the County) for capital expenditures on the Airport project and an increase in GEFA Notes Payable for improvements to the Pickens County water system.

The graphs below illustrate the County's debt to equity ratio for FY 2011 and 2012. Additional information on the County's long-term debt can be found in Note 12 of the basic financial statements.

2011



2012



Economic Factors and Next Year's Budgetary Highlights:

- The 2012 millage rate was set at 6.650 per $1,000 of valuation, a slight increase from the 6.260 millage rates in years 2009 through 2011.
- The fund balance for the County's general fund has decreased over the past several years, mainly due to a relatively low millage rate and substantial capital improvements which were funded by the general fund.
- In an effort to increase the fund balance, the FY 2013 general fund expenditure budgets were reduced by approximately $500,000. Financial management policies were established and approved by the Commissioners to ensure budgetary monitoring and compliance by departments and elected offices.
- Pickens County Government structure changed beginning January 1, 2013. A three-person Board of Commissioners replaced the Sole Commissioner form of government. The Board of Commissioners consists of a Chairperson and two District Commissioners.

Pickens County management continues to monitor revenue collection rates and control budgetary spending in an effort to provide services at or above current levels without further burdening the county taxpayers.

Requests for Information

This report is designed to provide the reader a general overview of the County's finances and demonstrate Management's commitment to public accountability. Questions concerning any of the information found in this report or requests for additional information should be directed to Faye Harvey, Finance Director for Pickens County Board of Commissioners, 1266 East Church Street, Suite 175, Jasper, Georgia 30143.

PICKENS COUNTY, GEORGIA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Department of Public Health	Industrial Development Authority
ASSETS					
Cash and cash equivalents	$ 4,235,847	$ 56,184	$ 4,292,031	$ 237,198	$ 306,015
Restricted cash and cash equivalents	54,836	-	54,836	-	-
Taxes receivable	2,381,243	-	2,381,243	-	-
Accounts receivable, net	849,785	230,828	1,080,613	26,250	-
Due from other governments	983,899	-	983,899	-	-
Other receivables	-	-	-	-	1,314,047
Due from component unit	48,565	-	48,565	-	-
Due from primary government	-	-	-	-	3,993,708
Prepaid items	1,900	-	1,900	-	-
Inventories	31,525	54,971	86,496	1,819	-
Internal balances	2,389,771	(2,389,771)	-	-	-
Capital assets, not being depreciated	11,460,711	8,047,056	19,507,767	-	-
Capital assets, net of accumulated depreciation	29,651,378	12,416,196	42,067,574	5,219	-
Total assets	$ 52,089,460	$ 18,415,464	$ 70,504,924	$ 270,486	$ 5,613,770
LIABILITIES AND NET POSITION					
Liabilities:					
Accounts payable	$ 3,353,135	$ 232,174	$ 3,585,309	$ -	$ -
Accrued liabilities	335,326	93,205	428,531	-	4,520
Due to other governments	-	-	-	18,296	-
Due to component unit	-	3,993,708	3,993,708	-	-
Due to primary government	-	-	-	-	48,565
Long-term liabilities:			-		
Due within one year	1,065,443	296,053	1,361,496	-	-
Due in more than one year	4,550,947	8,349,525	12,900,472	20,435	5,276,471
Total liabilities	9,304,851	12,964,665	22,269,516	38,731	5,329,556
Net Position:					
Net investment in capital assets	37,743,371	7,891,707	45,635,078	5,219	-
Restricted for:					
Capital projects	2,088,153	-	2,088,153	-	-
Other purposes	427,074	-	427,074	-	-
Unrestricted	2,526,011	(2,440,908)	85,103	226,536	284,214
Total net position	42,784,609	5,450,799	48,235,408	231,755	284,214
Total liabilities and net position	$ 52,089,460	$ 18,415,464	$ 70,504,924	$ 270,486	$ 5,613,770

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total Primary Government	Component Units: Department of Public Health	Component Units: Industrial Development Authority
Primary government:									
Governmental activities:									
General government	$ 3,769,984	$ 770,719	$ 72,692	$ -	$ (2,926,573)		$ (2,926,573)		
Judicial	4,368,623	542,522	1,618,006	-	(2,208,095)		(2,208,095)		
Public safety	11,238,865	3,216,357	984,834	-	(7,037,674)		(7,037,674)		
Public works	3,266,210	236,616	100,000	80,673	(2,848,921)		(2,848,921)		
Health and welfare	396,762	3,000	86,983	-	(306,779)		(306,779)		
Culture and recreation	994,619	120,457	4,631	-	(869,531)		(869,531)		
Housing and development	667,118	100,102	-	-	(567,016)		(567,016)		
Interest on long-term liabilities	139,495	-	-	-	(139,495)		(139,495)		
Total governmental activities	$ 24,841,676	$ 4,989,773	$ 2,867,146	$ 80,673	(16,904,084)		(16,904,084)		
Business-type activities:									
Water	$ 2,238,386	$ 1,819,528	$ 69,579	$ 300,000		$ (49,279)	(49,279)		
Airport	337,788	261,883	-	-		(75,905)	(75,905)		
	$ 2,576,174	$ 2,081,411	$ 69,579	$ 300,000		(125,184)	(125,184)		
Component units:									
Department of Public Health	$ 511,837	$ 235,230	$ 241,040	$ -				$ (35,567)	$ -
Industrial Development Authority	129,528	-	-	-				-	(129,528)
Total component units	$ 641,365	$ 235,230	$ 241,040	$ -				(35,567)	(129,528)
General Revenues:									
Property taxes					9,857,351	-	9,857,351	-	-
Franchise taxes					130,192	-	130,192	-	-
Sales taxes					6,951,031	-	6,951,031	-	-
Other taxes					1,337,732	-	1,337,732	-	-
Miscellaneous revenues					182,096	-	182,096	55,763	-
Unrestricted investment earnings					42,397	1,068	43,465	-	99,442
Total general revenues					18,500,799	1,068	18,501,867	55,763	99,442
Change in net position					1,596,715	(124,116)	1,472,599	20,196	(30,086)
Net position, beginning of year, as restated					41,187,894	5,574,915	46,762,809	211,559	314,300
Net position, end of year					$ 42,784,609	$ 5,450,799	$ 48,235,408	$ 231,755	$ 284,214

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General Fund	SPLOST	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and cash equivalents	$ 17,247	$ 4,009,401	$ 209,199	$ 4,235,847
Taxes receivable	2,381,243	-	-	2,381,243
Accounts receivable, net	675,561	-	174,224	849,785
Due from other governments	282,518	391,531	309,850	983,899
Inventories	31,525	-	-	31,525
Prepaid items	-	-	1,900	1,900
Due from component unit	48,565	-	-	48,565
Due from other funds	1,467,103	-	151,544	1,618,647
Advances to other funds	2,404,538	-	-	2,404,538
Restricted cash	54,836	-	-	54,836
Total assets	$ 7,363,136	$ 4,400,932	$ 846,717	$ 12,610,785
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,580,720	$ 1,609,751	$ 162,664	$ 3,353,135
Accrued liabilities	278,939	-	-	278,939
Due to other funds	240,028	703,028	690,358	1,633,414
Other liabilities	-	-	56,387	56,387
Deferred revenue	678,103	-	-	678,103
Total liabilities	2,777,790	2,312,779	909,409	5,999,978
Fund Balances:				
Nonspendable	31,525	-	1,900	33,425
Restricted	54,836	2,088,153	372,238	2,515,227
Unassigned	4,498,985	-	(436,830)	4,062,155
Total fund balances	4,585,346	2,088,153	(62,692)	6,610,807
Total liabilities and fund balances	$ 7,363,136	$ 4,400,932	$ 846,717	$ 12,610,785

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Total fund balances - governmental funds		$ 6,610,807
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		41,112,089
Certain receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Property taxes		678,103
Long-term liabilities and related interest are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated absences	$ (191,217)	
Net pension obligation	(60,633)	
Net OPEB obligation	(1,141,582)	
Post-closure landfill costs	(354,240)	
Capital leases payable	(509,062)	
Notes payable	(2,859,656)	
General obligation bonds payable	(500,000)	(5,616,390)
Total net position - governmental activities		$ 42,784,609

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	SPLOST	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	$ 10,410,218	$ -	$ -	$ 10,410,218
Franchise taxes	130,192	-	-	130,192
Sales taxes	2,862,850	4,088,181	-	6,951,031
Other taxes	1,304,820	-	32,912	1,337,732
Licenses and permits	212,074	-	-	212,074
Intergovernmental	1,809,425	-	1,031,940	2,841,365
Fines and forfeitures	360,741	-	397,865	758,606
Charges for services	3,279,187	-	740,216	4,019,403
Investment income	23,969	17,936	492	42,397
Contributions and donations	106,144	-	-	106,144
Other	182,096	-	-	182,096
Total revenues	20,681,716	4,106,117	2,203,425	26,991,258
EXPENDITURES				
Current:				
General government	3,130,684	-	-	3,130,684
Judicial	3,033,793	-	1,301,774	4,335,567
Public safety	9,390,556	-	1,465,785	10,856,341
Public works	2,738,383	-	-	2,738,383
Health and welfare	391,434	-	37,450	428,884
Housing and development	633,348	-	25,638	658,986
Culture and recreation	901,011	-	-	901,011
Capital outlay	-	7,306,264	-	7,306,264
Debt service	1,038,886	-	-	1,038,886
Total expenditures	21,258,095	7,306,264	2,830,647	31,395,006
Excess (deficiency) of revenues over (under) expenditures	(576,379)	(3,200,147)	(627,222)	(4,403,748)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issue	-	500,000	-	500,000
Proceeds from sale of capital assets	4,400	-	-	4,400
Transfers in	1,256,177	-	74,170	1,330,347
Transfers out	(74,170)	(1,319,579)	(6,177)	(1,399,926)
Total other financing sources (uses)	1,186,407	(819,579)	67,993	434,821
Net change in fund balances	610,028	(4,019,726)	(559,229)	(3,968,927)
FUND BALANCES, beginning of year	3,975,318	6,107,879	496,537	10,579,734
FUND BALANCES, end of year	$ 4,585,346	$ 2,088,153	$ (62,692)	$ 6,610,807

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - governmental funds		$ (3,968,927)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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.		6,002,188
In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increase financial resources.		(6,325)
The issuance of long-term debt provides current financial resources to governmental funds; however, the issuance of debt is treated as a liability in the Statement of Net Position.		(500,000)
The repayment of long-term debt consumes the current financial resources of governmental funds; however, such repayment is treated as the reduction of a liability in the Statement of Net Position.		888,325
The decrease in net pension obligation does not require the use of current financial resources and is not reported in governmental funds.		330
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. These include recognition of unavailable deferred property taxes.		(552,867)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		
Accrued interest	$ 11,066	
Compensated absences	36,834	
Net OPEB obligation	(351,308)	
Post-closure landfill costs	37,399	(266,009)
Change in net position - governmental activities		$ 1,596,715

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance With Final
	Original	Final	Actual	Budget
REVENUES				
Taxes	$ 13,614,930	$ 13,614,930	$ 14,708,080	$ 1,093,150
Licenses and permits	233,288	233,288	212,074	(21,214)
Intergovernmental	1,573,837	1,807,110	1,809,425	2,315
Fines and forfeitures	383,200	383,200	360,741	(22,459)
Charges for services	3,388,322	3,388,322	3,279,187	(109,135)
Investment income	35,000	35,000	23,969	(11,031)
Contributions and donations	82,901	82,901.00	106,144	23,243
Other	-	-	182,096	182,096
Total revenues	19,311,478	19,544,751	20,681,716	1,136,965
EXPENDITURES				
General government:				
Legislative	763,799	765,153	747,418	17,735
Elections	265,288	265,288	280,538	(15,250)
Tax commissioner	530,845	530,845	538,322	(7,477)
Tax assessor	491,761	491,761	503,694	(11,933)
Building and grounds	505,034	505,034	516,173	(11,139)
General administration	309,886	280,736	333,362	(52,626)
Total general government	2,866,613	2,838,817	2,919,507	(80,690)
Judicial:				
Superior court	419,531	419,531	492,645	(73,114)
Clerk of superior court	545,802	545,802	525,210	20,592
District attorney	464,645	457,359	488,737	(31,378)
Magistrate court	251,485	251,485	222,142	29,343
Probate court	305,020	305,020	331,209	(26,189)
Juvenile court	560,791	550,457	516,161	34,296
Public defender	220,000	370,000	457,689	(87,689)
Total judicial	2,767,274	2,899,654	3,033,793	(134,139)

(continued)

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Public safety:				
Sheriff	3,271,675	3,354,948	3,537,016	(182,068)
Jail Operations	1,623,695	1,623,695	1,597,092	26,603
School resources	190,903	190,903	201,512	(10,609)
Probation center	565,179	565,179	510,665	54,514
Fire	1,169,860	1,169,860	1,168,449	1,411
Emergency medical services	1,958,002	1,958,002	2,385,045	(427,043)
Coroner	33,599	68,599	84,172	(15,573)
E-911	18,285	18,285	11,597	6,688
Animal control	111,232	182,001	181,933	68
Emergency management	42,250	42,250	45,446	(3,196)
Total public safety	8,984,680	9,173,722	9,722,927	(549,205)
Public works:				
Roads and bridges	2,068,084	2,056,864	2,210,656	(153,792)
Solid waste	593,020	593,020	589,482	3,538
Public education	24,475	24,475	24,475	-
Total public works	2,685,579	2,674,359	2,824,613	(150,254)
Health and welfare:				
Public heatlh	89,624	92,754	138,376	(45,622)
Welfare	28,380	28,380	7,046	21,334
Senior citizen center	15,817	15,817	36,721	(20,904)
Community Center	-	-	507,695	(507,695)
M.A.T.S.	71,998	71,998	133,058	(61,060)
Total health and welfare	205,819	208,949	822,896	(613,947)
Housing and development:				
Agricultrual	53,882	53,882	29,804	24,078
Building inspection	148,518	148,518	161,194	(12,676)
Planning & development	284,929	284,929	339,140	(54,211)
County marshall	49,490	49,490	50,101	(611)
Economic development	50,000	50,000	53,109	(3,109)
Tourism	-	-	-	-
Total housing and development	586,819	586,819	633,348	(46,529)

(continued)

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget			Variance With Final
	Original	Final	Actual	Budget
EXPENDITURES (continued)				
Culture and recreation:				
Recreation	412,678	418,577	593,369	(174,792)
Arts	2,500	2,500	3,570	(1,070)
Regional library	271,158	271,158	278,955	(7,797)
Special facilities	30,899	20,500	25,117	(4,617)
Total culture and recreation	717,235	712,735	901,011	(188,276)
Other Financing Uses	497,459	449,696	400,000	49,696
Total expenditures	19,311,478	19,544,751	21,258,095	(1,713,344)
Excess (deficiency) of revenues over (under) expenditures	-	-	(576,379)	(576,379)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	4,400	4,400
Transfers in	-	-	1,256,177	1,256,177
Transfers out	-	-	(74,170)	(74,170)
Total other financing sources (uses)	-	-	1,186,407	1,186,407
Net change in fund balance	-	-	610,028	610,028
FUND BALANCE, beginning of year	-	-	3,975,318	3,975,318
FUND BALANCE, end of year	$ -	$ -	$ 4,585,346	$ 4,585,346

(concluded)

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business -Type Activities		
	Water	Airport	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 56,184	$ -	$ 56,184
Due from other funds	107,066	-	107,066
Other receivables	215,440	15,388	230,828
Inventories	23,326	31,645	54,971
Total Current Assets	402,016	47,033	449,049
Noncurrent Assets:			
Capital Assets:			
Land, improvements, and construction in progress not being depreciated	912,871	7,840,655	8,753,526
Other capital assets, net of depreciation	11,448,358	261,368	11,709,726
Total Noncurrent Assets	12,361,229	8,102,023	20,463,252
Total Assets	$ 12,763,245	$ 8,149,056	$ 20,912,301
LIABILITIES AND NET POSITION			
Liabilities:			
Current Liabilities:			
Accounts payable	$ 151,630	80,544	$ 232,174
Due to other funds	-	92,299	92,299
Other accrued liabilities	48,944	56,520	105,464
Notes payable	174,719	-	174,719
Bonds payable	109,073	-	109,073
Total Current Liabilities	484,366	229,363	713,729
Noncurrent Liabilities:			
Advances from other funds	2,404,538	-	2,404,538
Notes payable	1,731,557	3,993,708	5,725,265
Bonds payable	6,617,970	-	6,617,970
Total noncurrent liabilities	10,754,065	3,993,708	14,747,773
Total Liabilities	11,238,431	4,223,071	15,461,502
Net Position:			
Net investment in capital assets	3,727,910	(3,993,708)	(265,798)
Unrestricted	(2,258,578)	7,919,693	5,661,115
Total Net Position	1,524,814	3,925,985	5,450,799
Total Liabilities and Net Position	$ 12,763,245	$ 8,149,056	$ 20,912,301

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-Type Activities		
	Water	Airport	Total
Operating Revenues:			
Charges for services	$ 1,819,528	$ 261,883	$ 2,081,411
Operating Expenses:			
Personal services	608,548	64,830	673,378
Contractual services	16,698	70	16,768
Utilities	121,716	8,847	130,563
Repairs and maintenance	21,030	4,633	25,663
Supplies and expenses	536,784	73,085	609,869
Depreciation	555,219	88,062	643,281
Total Operating Expenses	1,859,995	239,527	2,099,522
Operating Income (loss)	(40,467)	22,356	(18,111)
Nonoperating Revenues (Expenses):			
Interest revenue	1,068	-	1,068
Interest expense	(378,391)	(98,261)	(476,652)
Grant revenue	300,000	-	300,000
Total Nonoperating Revenue (Expenses)	(77,323)	(98,261)	(175,584)
Net Income (Loss) Before Transfers	(117,790)	(75,905)	(193,695)
Transfers (in) out	69,579	-	69,579
Change in net position	(48,211)	(75,905)	(124,116)
Total net position, beginning of year	1,573,025	4,001,890	5,574,915
Total net position, end of year	$ 1,524,814	$ 3,925,985	$ 5,450,799

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Enterprise Funds		
	Water	Airport	Total
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Receipts from customers	$ 1,797,215	$ 254,808	$ 2,052,023
Payments to suppliers and service providers	(896,709)	(25,006)	(921,715)
Payments to employees	(611,989)	(65,144)	(677,133)
Net cash provided by operating activities	288,517	164,658	453,175
CASH FLOWS PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Interest received	1,068	-	1,068
Net cash provided by investing activities	1,068	-	1,068
CASH FLOWS PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase and construction of capital assets	(561,232)	(913,766)	(1,474,998)
Grants and contributions received from others	300,000	5,070	305,070
Proceeds from capital debt	385,879	750,000	1,135,879
Receipts from other funds	82,132	92,299	174,431
Payments to other funds	(107,066)	-	(107,066)
Principal paid on capital debt	(248,639)	-	(248,639)
Interest paid on capital debt	(378,391)	(98,261)	(476,652)
Net cash provided by (used in) financing activities	(527,317)	(164,658)	(691,975)
Net decrease in cash and cash equivalents	(237,732)	-	(237,732)
Cash, beginning of year	293,916	-	293,916
Cash, end of year	$ 56,184	$ -	$ 56,184

(continued)

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

(concluded)

	Enterprise Funds		
	Water and Sewerage Fund	Airport Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating (loss)	$ (40,467)	$ 22,356	$ (18,111)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Bad debt allowance	10,082	-	10,082
Depreciation	555,219	88,062	643,281
Decrease (increase) in accounts receivable	(32,395)	(7,075)	(39,470)
Decrease (increase) in inventory	-	(4,224)	(4,224)
Increase (decrease) in accounts payable/accrued liabilities	(200,481)	65,853	(134,628)
Increase (decrease) in accrued liabilities	(3,441)	(314)	(3,755)
Net cash provided by (used in) operating activities	$ 288,517	$ 164,658	$ 453,175
Noncash investing, capital and financing activities			
Capital asset acquired through SPLOST funds	$ 69,579	$ -	$ 69,579

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

	Agency Funds
ASSETS	
Cash	$ 416,231
Restricted cash	131,127
Taxes receivable	6,282,234
Total assets	$ 6,829,592
LIABILITIES	
Due to others	$ 6,829,592
Total liabilities	$ 6,829,592

The accompanying notes are an integral part of this statement.

PICKENS COUNTY, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

1. Description of Government Unit

Pickens County, Georgia (the County) is located In the Northern area of Georgia about 60 miles north of Atlanta and about 86 miles southeast of Chattanooga, Tennessee.

The County provides a full range of governmental services, Including public safety, judicial, public works, recreation, health and welfare services, housing and development, planning and zoning, and general and administrative services as well as water services.

The government is governed by a single elected Commissioner.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Pickens County, Georgia, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the County are discussed below.

B. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Pickens County (the primary government) and material component units. The component units discussed below are included in the County's reporting entity because of the significance of its operational and financial relationship with the County.

In conformity with generally accepted accounting principles, as set forth in Governmental Accounting Standards Board Statement No. 14, as amended by Statement No. 39, the financial statements of component units have been included either as blended or discretely presented component units.

Discretely Presented Component Units – Discretely presented component units, although legally separate entities, are, in substance, part of the Government's operations.

Department of Public Health -The Pickens County Department of Public Health (the Health Department) consists of a seven member board including the County's sole Commissioner and two members as appointed by the County Commissioner. The County has the authority to modify end approve the Health Department's budget and the ability to approve environmental health services. The Health Department has a June 30" 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.

Industrial Development Authority - The Industrial Development Authority of Pickens County 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.

2. Summary of Significant Accounting Policies, continued

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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 end 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 the 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 segments 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 fiduciary funds 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.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The County's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type activities for the County. Fiduciary activities of the County are not included in these statements.

These statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Accordingly, all of the County's assets and liabilities, including capital assets, as well as current year infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in assets. Under the *accrual basis* of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services to customers who directly benefit from goods, services or privileges provided by a given function, 2) operating grants and contributions that are restricted to meeting the operational needs requirements of a particular function and 3) capital grants and contributions that are restricted to meeting the capital needs requirements of a particular function.

Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

2. Summary of Significant Accounting Policies, continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

In the Statement of Activities, Internal service fund transactions have been eliminated, however, those transactions between governmental and business-type activities have not been eliminated. Governmental activities that 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.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the *modified accrual basis* of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Those revenues susceptible to accrual are property taxes, sales taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at yearend on behalf of the government also are recognized as revenue. The County considers properly taxes as available in the period for which they were levied if they are collected within 60 days subsequent to year-end. A 60-day availability period is also used for revenue recognition for all other governmental fund revenue.

The County reports the following major governmental funds:

General Fund - The general operating fund of the County Is used to account for all financial resources except those required to be accounted for in another fund.

Special Purpose Local Option Sales Tax Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of capital facilities financed by special purpose local option sales taxes passed by the 2003 and 2008 1% Special Purpose Local Option Sales Tax referendums.

The County reports the following major proprietary funds:

Wafer Fund - This fund is used to account for the development, operation and maintenance of the utility system that provides water services In Pickens County.

Airport Fund - This 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:

Governmental Fund Types

Special Revenue Funds - This fund type is used to account for the proceeds of specific revenue sources that are legally or donor restricted to expenditure for specified purposes.

2. Summary of Significant Accounting Policies, continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, concluded

Debt Service Fund - This fund is used to account for the accumulation of resources and payment of general government long-term debt principal and interest from governmental resources.

Fiduciary Fund Types

Agency Funds - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the *accrual basis* of accounting. These funds are used to account for assets that are held either for the County or for others.

Component Units

The Pickens County Public Health Department Is accounted for using the current financial resources measurement focus and uses the modified accrual basis of accounting. The Pickens County Industrial Development Authority is accounted for using the economic resources measurement focus and use the accrual basis of accounting.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do no conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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. Operating expenses for enterprise funds and internal services 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 non-operating revenues and expenses.

2. Summary of Significant Accounting Policies, continued

E. Budgets and Budgetary Accounting

The County Commissioner adopts an annual budget for all governmental fund types, prior to December 31, except for the Capital Projects Funds. The Capital Projects Funds are budgeted by the Commissioner when capital projects are approved. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted at a public meeting.

Prior to August 16 each year, each department submits a proposed budget to the County Commissioner for review. Public hearings are held to discuss the proposed budget and to obtain input from the citizens of Pickens County. These hearings are publicized in the local newspaper at least one week before the first hearing, and the budget document is made available for public Inspection during this week.

The level of legal budgetary control (the level at which expenditures may not exceed appropriations) is the department level. Any changes in total departmental expenditures/expenses, personnel benefits, or capital purchases must be approved by the County Commissioner or Budget Officer.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) at the legal level of budgetary control, which is the department, sub-department, or project level. Expenditures may not exceed the appropriations within a fund. Budgets, as reported in the financial statements, are as originally passed by ordinance and subsequently amended. During the year, several supplementary appropriations are made as needed. The results are increases and decreases to the appropriations within the funds. All annual appropriations lapse at year end.

The County does not use the encumbrance system of accounting.

F. Cash and Investments

Cash and equivalents, as reported in the statement of cash flows, Includes amounts in demand deposits, amounts with fiscal agents, and investments with an original maturity at three months or less. Investments are reported at fair market value with accrued Interest shown under a separate caption on the balance sheet. Reinvested interest on certain debt service and capital projects investments Is Included in the Investment accounts.

G. Intergovernmental Receivables

Receivables from other governments are recorded as revenue for the period of the allocation or as earned based on expenditures made for which reimbursement is due.

H. Inventories

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, are recorded as prepaid items.

2. Summary of Significant Accounting Policies, continued

J. Capital Assets, continued

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

GASB Statement No. 34 required the County to report and depreciate new infrastructure assets effective with the fiscal year ended December 31, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are among the largest asset classes of the County. Prior to January 1, 2007, neither their historical costs, nor related deprecation, had been reported in the financial statements. The County implemented the requirements for retroactive reporting of major general infrastructure assets in the year ended December 31, 2007. The County elected not to report general infrastructure assets placed into service prior to July 1, 1980.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Deprecation is computed using the straight-line method over the estimated useful lives of the respective assets ranging as follows:

	Useful Life in Years	Capitalization Threshold
Land	N/A	$ 1
Land Improvements	12 - 15	$ 5,000
Buildings	25 - 50	$ 5,000
Machinery and Equipment	3 - 15	$ 5,000
Furniture and Fixtures	5 -20	$ 5,000
Vehicles	2 - 15	$ 5,000
Infrastructure	10 - 30	$ 5,000

The costs of normal maintenance and repairs that do not add value or materiality extend the life of the asset are charged to operations as incurred. Costs of major additions and improvements are capitalized.

K. Fund Balances - Governmental Funds

Pickens County implemented GASB No. 54, Fund Balance Reporting and Governmental *Fund Type Definitions*, in fiscal year 2012. In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2012, by the County are nonspendable in form. The County has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the County Commissioner, Pickens County's highest level of decision making authority. Commitments may be modified or rescinded only through adoption of a subsequent resolution.

2. Summary of Significant Accounting Policies, concluded

K. Fund Balances – Governmental Funds, concluded

Assigned -includes amounts that the County Intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the County's adopted policy, amounts may be assigned by the Finance Director, under the authorization of the County Commissioner, through a written memorandum. Amounts appropriated to eliminate a projected deficit in the subsequent fiscal year's budget shall constitute assignments and are documented by adoption of the County's annual operating budget. Equity amounts reported in special revenue funds, capital project funds, debt service funds, or permanent funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

Unassigned - includes amounts that do not fall into one of the above four categories. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The General Fund is the only fund that should report this category of fund balance.

For the purposes of fund balance classification, the County considers restricted amounts spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Furthermore, when an expenditure is incurred for purposes for which amounts In any of the unrestricted classifications of fund balance can be used, then committed amounts are spent first, followed by assigned amounts, and then unassigned amounts.

L. Compensation for Future Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and compensation benefits. These will be paid to the employees upon separation from County service. 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. Accumulated unpaid vacation pay amounts are accrued when incurred by the County in the government-wide, proprietary, and fiduciary fund financial statements. The liability of the proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to the employees. In governmental fund types, a liability is recorded only if the benefit has matured and is expected to be liquidated with expendable available financial resources.

M. 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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of debt Issued is reported as another financing source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

3. Stewardship, Compliance, and Accountability

Excess of Expenditures over Appropriations – Governmental Funds

At December 31, 2012, the following expenditures exceeded appropriated amounts in the General Fund in the following departments (the legal level of control):

Elections	$ 15.250
Tax commissioner	7,477
Tax assessor	11,933
Buildings and grounds	11,139
Superior court	73,114
District attorney	31,378
Probate court	26,189
Public defender	87,689
Sheriff	182,068
School resources	10,609
Emergency medical services	427,043
Coroner	15,573
Emergency management	3,196
Roads and bridges	153,792
Public health	45,622
Senior citizen center	20,904
Community center	507,695
MATS	61,060
Building inspection	12,676
Planning & development	54,211
County marshal	611
Economic development	3,109
Recreation	174,792
Arts	1,070
Regional library	7,797
Special facilities	4,617

Expenditures exceeding budgeted amounts were a result of failure to adequately budget expected amounts. In addition, grant expenditures were budgeted in the General Fund, but are reflected in the Capital Projects Fund. These over-expenditures were funded excess revenues and by available General Fund balance.

4. Deposit and investment Risk

Custodial Credit Risk - Deposits
Custodial credit risk is the risk that, in the event of a financial institution failure, the County's deposits may not be returned. The County has no formal policy, but follows State of Georgia requirements that all deposits be federally insured or fully collateralized.

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.

Credit Risk
State of Georgia law limits investments to include certificates of deposit, repurchase agreements, direct and agency obligations of the United States, obligations of the State of Georgia or other states, obligations of other political subdivisions of the State of Georgia, and pooled investment programs of the State of Georgia. The County has no investment policy that would further limit its investment choices. Investments are reported at fair value.

Concentration of Credit Risk
The County has no formal policy on the amount the County may invest in any one issuer.

Foreign Currency Risk
The County has no investments denominated in a foreign currency.

5. Accounts Receivable

Net accounts receivable at December 31, 2012, consist of the following:

Primary Government:		
Major Funds		
General Fund	$ 1,936,885	
Less: Allowance for Uncollectibles	(1,261,324)	$ 675,561
Enterprise Funds		
Water	304,445	
Less: Allowance for uncollectibles	(89,005)	
Airport	15,388	230,828
Nonmajor Funds		
Special Revenue Funds		
Emergency 911	60,410	
Hotel Motel	3,322	
Adult Drug Court	37,429	
Appalachian Pre-Trial and Probation	1,679	
Domestic Victims Visitation	8,165	
Mental Health Court	16,094	
Family Drug Court	37,589	
Family Connection	9,536	174,224
Total primary government		$ 1,080,613
Component Units		
Pickens County Health Department		$ 26,250

6. Intergovernmental Receivables

Intergovernmental receivables at December 31, 2012, consist of the following:

Major Funds		
General Fund		
US Treasury	$ 27,317	
State of Georgia	187,602	
Fannin County, Georgia	27,412	
Gilmer County, Georgia	38,896	
City of Nelson, Georgia	164	
City of Jasper, Georgia	1,127	282,518
SPLOST Capital Projects Fund		
State of Georgia		391,531
Nonmajor Funds		
Special Revenue Funds		
Drug Task Force		
State of Georgia	13,906	
Fannin County, Georgia	169,286	
Gilmer County, Georgia	38,870	
CASA		
State of Georgia	87,788	309,850
Total primary government		$ 983,899

7. Taxes Receivable

Property tax rates are set by the County Commissioner each year and are limited by statutory or constitutional provision. Property values are assessed as of January 1" each year. Property taxes for 2012, based upon the assessments of January 1, 2012, were levied on August 26, 2012, billed on October 6, 2012, and due on December 16, 2012. Tax liens may be issued 90 days after the due date.
Taxes receivable as of December 31, 2012, consist of property taxes for seven years as follows:

Year of Levy	
2012	$ 1,575,045
2011	297,065
2010	111,490
2009	91,268
2008	47,296
2007	26,780
2006	14,602
2005	6,642
	$ 2,170,188

Other Taxes
Additionally, $130,192 of franchise taxes, $69,842 of occupational taxes, $7,699 of alcohol excise taxes, and $3,322 of hotel/motel taxes are included in taxes receivable

8. Interfund Receivables, Payables, and Transfers

A summary of interfund receivables and payables as of December 31, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	$ 2,404,538
	Airport	92,299
	SPLOST	703,028
	Nonmajor Governmental	671,776
Water	General	107,066
Nonmajor Governmental	General	132,962
	Nonmajor Governmental	18,582
Subtotal		$ 4,130,251

The balances reported as Due to/Due from represent loans between the borrower funds and the lender funds. These balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between the funds are made. The balance reported between the General Fund and the Water Fund is an advance from the General Fund to the Water Fund and is not expected to be repaid within one year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

A summary of interfund transfers as of December 31, 2012, is as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Nonmajor Governmental	$ 74,170
SPLOST	General	1,250,000
SPLOST	Water	69,579
Nonmajor Governmental	General	6,177
		$ 1,399,926

Interfund transfers are used to 1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and 2) use unrestricted revenues collected to finance various programs accounted for in other funds In accordance with budgetary authorizations. Transfers are eliminated in the government-wide financial statements if the interfund transfer is within the governmental fund group or business-type fund group.

9. Capital Assets

Capital asset activity for the primary government for the fiscal year ended December 31, 2012, was as follows:

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Governmental Activities					
Nondepreciable assets					
Land	$ 3,147,241	$ -	$ -	$ -	$ 3,147,241
Construction in progress	1,456,114	230,423	6,848,411	(221,478)	8,313,470
Total nondepreciable assets	4,603,355	230,423	6,848,411	(221,478)	11,460,711
Depreciable assets					
Land improvements	974,948	-	38,455	-	1,013,403
Infrastructure	7,746,603	-	459,839	-	8,206,442
Buildings	22,753,786	-	215,554	-	22,969,340
Machinery and equipment	5,250,720	-	136,467	(10,000)	5,377,187
Furniture and fixtures	47,725	-	-	-	47,725
Vehicles	6,555,033	-	320,816	-	6,875,849
Total depreciable assets	43,328,815	-	1,171,131	(10,000)	44,489,946
Accumulated Depreciation					
Land improvements	(380,118)	-	(31,154)	-	(411,272)
Infrastructure	(1,428,715)	-	(388,163)	-	(1,816,878)
Buildings	(3,312,891)	-	(503,367)	-	(3,816,258)
Machinery and equipment	(2,599,103)	-	(430,353)	3,674	(3,025,782)
Furniture and fixtures	(13,689)	-	(4,252)	-	(17,941)
Vehicles	(5,254,426)	-	(496,011)	-	(5,750,437)
Total accumulated depreciation	(12,988,942)	-	(1,853,300)	3,674	(14,838,568)
Total depreciable assets, net	30,339,873	-	(682,169)	(6,326)	29,651,378
Governmental Activities capital assets, net	$ 34,943,228	$ 230,423	$ 6,166,242	$ (227,804)	$ 41,112,089
Business-type Activities					
Nondepreciable assets					
Land	$ 1,690,594	$ -	$ 36,370	$ -	$ 1,726,964
Construction in progress	4,966,519	-	1,353,573	-	6,320,092
Total non-depreciable assets	6,657,113	-	1,389,943	-	8,047,056
Depreciable assets					
Airport improvements	706,470	-	-	-	706,470
Buildings	629,004	-	-	-	629,004
Machinery and equipment	1,053,953	-	44,427	-	1,098,380
Infrastructure	15,768,290	-	69,579	-	15,837,869
Total depreciable assets	18,157,717	-	114,006	-	18,271,723
Accumulated Depreciation					
Airport improvements	(198,164)	-	(28,337)	-	(226,501)
Buildings	(239,077)	-	(25,686)	-	(264,763)
Machinery and equipment	(650,596)	-	(72,986)	-	(723,582)
Infrastructure	(4,124,409)	-	(516,272)	-	(4,640,681)
Total accumulated depreciation	(5,212,246)	-	(643,281)	-	(5,855,527)
Total depreciable assets, net	12,945,471	-	(529,275)	-	12,416,196
Busines-type Activities capital assets, net	$ 19,602,584	$ -	$ 860,668	$ -	$ 20,463,252

9. Capital Assets, concluded

Capital asset activity for the Health Department and Industrial Development Authority Component Units for the fiscal year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Health Department Component Unit				
Depreciable assets				
Office equipment	$ 18,679	$ -	$ -	$ 18,679
Computer equipment	7,450	-	-	7,450
Office furniture	11,030	-	-	11,030
Vehicles	20,011	-	-	20,011
Leasehold Improvements	11,724	-	-	11,724
Total depreciable assets	68,894	-	-	68,894
Accumulated Depreciation				
Office equipment	(18,679)	-		(18,679)
Computer equipment	(7,450)	-		(7,450)
Office furniture	(8,860)	(1,103)		(9,963)
Vehicles	(15,341)	(4,002)		(19,343)
Leasehold Improvements	(7,067)	(1,173)		(8,240)
Total accumulated depreciation	(57,397)	(6,278)	-	(63,675)
Total depreciable assets, net	11,497	(6,278)	-	5,219
Health Department Component Unit capital assets, net	$ 11,497	$ (6,278)	$ -	$ 5,219

Depreciation expense was charged to functions/programs as follows:

Primary Government	
Governmental activities	
General Government	$ 232,115
Judicial	30,674
Public Safety	803,091
Public Works	648,603
Health and Welfare	29,379
Culture and Recreation	93,919
Housing and Development	15,519
Total depreciation expense for governmental activities	$ 1,853,300
Business-type activities	
Water	555,219
Airport	88,062
Total depreciation expense for business-type activities	$ 643,281
Health Department Component Unit	$ 6,278

10. Short-Term Debt

The County paid off a tax anticipation note for operating purposes of $6,000,000 at a financial institution. The note carried an interest rate of 1.4% and matured on December 30, 2012. As of December 31, 2012, the principal was paid in full.

The short-term borrowings interest Incurred and expensed for the period ended December 31, 2012 was $79,567.

Short-term debt activity for the year ended December 31, 2012, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Tax anticipation note	$ -	$ 6,000,000	$ (6,000,000)	$ -

11. Capital and Operating Lease Agreements

The County has entered into an agreement for the lease of certain equipment. The terms of the agreements meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The balance of this lease at December 31, 2012 is $509,062 for governmental activities.

The following is a schedule of the future minimum lease payments together with the present value of the net minimum lease payments as of December 31, 2012:

Year Ending December 31,	Governmental Activities
2013	$ 281,197
2014	224,892
2015	18,809
Total Minimum lease payments	524,898
Less amounts representing interest	(15,836)
Present value of minimum lease payments	$ 509,062

Total assets leased under capital leases are $995,000 for the governmental activities, respectively, and are classified as equipment.

12. Long-Term Debt

Revenue Bonds

Revenue bonds have been issued for business-type activities and are comprised of the following Individual issue at December 31, 2012:

The County Issued $1,462,300 1995A Water and Sewer System bonds and $1,058,700 1995B Water and Sewer System bonds due in monthly Installments of $7,122 and $5,156, respectively, with interest at 5.0% ($1,191,561 and $862,765 outstanding, respectively), for the acquisition and construction of water-line Infrastructure.

The County issued $4,940,721 Water System Revenue Bond Series 2005 due in monthly installments of $21,248 with interest at 4.125% ($4,672,717 outstanding), for the acquisition and construction of water-line infrastructure.

Annual debt service requirements to maturity for Water and Sewer bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	$ 109,073	$ 295,399	$ 404,472
2014	114,075	290,397	404,472
2015	119,308	285,434	404,742
2016	124,784	279,658	404,442
2017	130,514	273,958	404,472
2018-2022	748,255	1,274,104	2,022,359
2023-2027	937,088	1,085,271	2,022,359
2028-2032	1,174,126	848,234	2,022,360
2033-2037	1,311,854	554,418	1,866,272
2038-2042	965,549	320,131	1,285,680
2043-2047	992,416	99,872	1,092,288
	$ 6,727,042	$ 5,606,876	$ 12,333,918

General Obligation Bonds

General obligation bonds have been issued for governmental activities and are comprised of the following individual issue at December 31, 2012:

The County issued $6,500,000 of 2010 General Obligation Sales Tax bonds with interest at 2.25% for the renovation, repair, remodeling, modification, construction, and equipping of the existing courthouse and new parking facility. During 2010, $90,000 in proceeds were drawn down by the County; this amount was paid by the County during 2011. During 2012, the Federal Deposit Insurance Corporation seized control of Jasper Banking Company and subsequently sold the bonds to United Community Bank. A total of $500,000 was drawn on the bonds in the current year, and the balance at December 31, 2012 was $500,000. The remainder of the bonds is expected to be drawn during 2013, and a maturity schedule will be finalized at that time.

12. Long-Term Debt, continued

Notes Payable

Governmental Activities
The County has entered into various agreements with financial institutions to finance the purchase of buildings and equipment in the original amounts of $4,900,000 with outstanding balances of $2,859,656. These notes have annual payments ranging from $256,339 to $427,738, with interest rates from 3.00% to 5.79% and maturity dates from 2012 to 2019.

Annual debt service requirements for notes payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	$ 575,486	$ 108,591	$ 684,077
2014	601,378	83,504	684,882
2015	430,436	57,139	487,575
2016	392,260	35,478	427,738
2017	405,492	22,246	427,738
2018-2019	454,604	8,779	463,383
Totals	$ 2,859,656	$ 315,737	$ 3,175,393

Business-type Activities
The County enters into promissory notes with the Georgia Environmental Facilities Authority to finance the construction of water lines. As of December 31, 2012, the County had three such loan agreements in the original amounts of $3,204,013 with outstanding balances of $1,906,275. Quarterly installments of principal and interest are due through 2032 with interest rates from 2.0% to 5.3%.

The County entered into a loan agreement with the Development Authority to finance the construction of an airport taxiway in the original amount of $3,243,708. As of December 31, 2012, the loan has an outstanding balance of $3,993,708, with interest at a rate of 3.25%. The agreement 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. As a result, this balance is not included in the debt service requirements.

Annual debt service requirements for notes payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	$ 174,719	$ 68,434	$ 243,153
2014	176,722	60,902	237,624
2015	178,905	53,190	232,095
2016	186,936	45,159	232,095
2017	117,802	37,769	155,571
2018-2022	514,268	136,046	650,314
2023-2027	366,412	114,398	480,810
2028-2032	190,511	13,386	203,897
Totals	$ 1,906,275	$ 529,284	$ 2,435,559

12. Long-Term Debt, concluded

The following is a summary of changes in long-term debt of the County for the year ended December 31, 2012:

Governmental activities					
Capital leases	$ 446,260	$ 458,730	$ (395,928)	$ 509,062	$ 261,341
Notes payable	3,810,784	-	(951,128)	2,859,656	575,486
Bonds payable	-	500,000	-	500,000	-
Compensated absences	228,051	341,542	(378,376)	191,217	191,217
Net pension obligation	60,963	518,947	(519,277)	60,633	-
Net OPEB obligation	790,274	351,308	-	1,141,582	-
Landfill postclosure	391,639	-	(37,399)	354,240	37,399
Total Governmental activities	$ 5,727,971	$ 2,170,527	$ (2,282,108)	$ 5,616,390	$ 1,065,443
Business-type activities					
Notes payable	$ 1,675,565	$ 385,880	(155,170)	$ 1,906,275	$ 174,719
Note payable to component unit	3,243,708	750,000	-	3,993,708	-
Bonds payable	6,820,514	-	(93,472)	6,727,042	109,073
Compensated absences	12,259	2	-	12,261	12,261
Total business-type activities	$ 11,752,046	$ 1,135,882	$ (248,642)	$ 12,639,286	$ 296,053
Health Department Component Unit					
Compensated absences	$ 19,571	$ 3,248	(2,384)	$ 20,435	$ 20,435
Industrial Development Authority Component Unit					
Notes payable	$ 4,526,471	$ 750,000	$ -	$ 5,276,471	$ -

Compensated absences are liquidated by those governmental funds that have salary and wage expenditures. In prior years, long-term liabilities, such as compensated absences, net pension obligations, net OPEB obligations, and landfill postclosure costs of the governmental activities were liquidated in the General Fund.

13. Landfill Post-Closure Care Costs

The County closed its solid waste landfill in 2004. State and federal laws and regulations require the County to perform certain maintenance and monitoring operations at the landfill site for 30 years after official closure; the County has 22 years remaining. The estimated cost of all post closure care activities is $354,240 and is reflected as a long-term liability In the Governmental Activities. Because of future changes in technology, laws, or regulations, these costs may change.

14. Fund Equity

The following fund balances are nonspendable because they are allocated to:

General Fund	
Prepaid items	$ 31,525

The following fund balances are restricted for:

SPLOST Fund	
Capital projects	$ 2,088,153
Special Revenue Funds:	
Tourism, public safety, judicial purposes, etc.	$ 372,238

15. Prior Period Restatement

The County has determined that a restatement to the beginning net position of the Water Fund is necessary to properly report accounts receivable at December 31, 2011. Additionally a restatement to adopt the new GASB 65 pronouncement, in which debt issuance costs should be recognized as an expense, had also been reported.

	Water Fund	Government-Wide Business-type Activities
Net Position, december 31, 2011, as originally reported	$ 1,614,648	$ 5,616,538
Amounts restated to recognize debt issuance costs as an expense	(58,145)	(58,145)
Amounts restated for underaccrual of accounts receivable	16,522	16,522
Net Position, December 31, 2011, as restated	$ 1,573,025	$ 5,574,915

Governmental Activities:
In addition, the County has determined that a restatement of beginning net position of the Governmental Activities is necessary to adopt the new GASB 65 pronouncement, in which debt issuance costs should be recognized as an expense. Additionally, the County has determined a restatement to beginning net position is necessary to restate capital assets that met the criteria of capitalization in the prior period.

	Government-wide Governemental Activities
Net Position, December 31, 2011, as originally reported	$ 41,077,503
Amounts restated to recognize debt issuance costs as an expense	(62,607)
Amounts restated for additions to capitalizable asstes	172,998
Net Position, December 31, 2011, as restated	$ 41,187,894

16. Deficit Equity Balances

The following funds had deficit fund balances, which are considered unassigned fund balances, at December 31, 2012:

Special Revenue Fund	Purpose	Deficit Fund Balance
Emergency 911 *(nonmajor)*	*Operating and personnel costs of providing emergency services*	$ (426,741)
Appalachian Pre-Trial and Probation *(nonmajor)*	*Operating grants for judicial purposes*	(10,089)
		$ (436,830)

T
The County expects to generate future revenues to offset these deficits. The County's General Fund has adequate surplus to provide for the deficit fund balances in the event that sufficient revenues cannot be generated.

17. Pension Plan

Plan Description and Contribution Information

Pickens County contributes to the Association of County Commissioners of Georgia ("ACCG") Defined Benefit Plan ("Plan"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating counties in Georgia. The County elected to participate in the Plan as of the result of Board of Commissioner vote and a contract between the County and the ACCG.

The Plan's assets may be used only for the payment of benefits to the members of the Plan, in accordance with the terms of the Plan. See Note 2 - Summary of Significant Accounting Policies for reporting of investments. The ACCG issues a publicly available financial report that includes financial statements and required supplementary Information for the Plan. That report may be obtained by writing to Pension Service Company, 1100 Circle 75 Parkway, Suite 320, Atlanta, GA 30339.

All full-time County employees are eligible to participate In the Plan after completing three years of service. Benefits vest after five years of service. Participants become eligible to retire with unreduced benefits at age 65 with 3 years of plan participation. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1% of average annual compensation + $36 for each year of service payable as a life annuity. Compensation is averaged over a five-year period prior to retirement or termination. The Plan also provides benefits in the event of death or disability. These benefit provisions were established by an adoption agreement executed by the County Commissioner.

Current Membership and current year payrolls are as follows:

Retirees and beneficiaries currently receiving benefits	27
Terminated vested participants entitled to but not yet receiving benefits	66
Active participants	193
Total number of participants	286

Funding Policy

County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan, based on an actuarially determined rate. The current rate is 7.9% of annual covered payroll. The County Commissioner provides for the benefits and funding policy through County ordinance and maintains the authority to change the policy.

17. Pension Plan, continued

Annual Pension Cost and net Pension Obligation

The net pension obligation was computed as part of an actuarial valuation performed as of December 31, 2012. Significant actuarial assumptions used in the valuation include:

Rate of return on investments of present and future assets compounded annually	7.75%
Projected salary increases due to:	
Inflation	3.00%
Age	4.0% - 6.5%
Post-retirement benefit increases	none
Life expectancy before and after retirement (Group Annuity Mortality table)	1983

The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, accumulate funds so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method. The actuarial value of Pickens County's assets was determined using market value. The unfunded actuarially accrued liability is being amortized as a level percent of projected payroll on a closed basis over a thirty-year period. The remaining amortization period at January 1, 2012, was 9 years.

Annual Pension Cost and net Pension Obligation

The County's annual pension cost and net pension obligations for the current year ended December 31, 2012, were as follows:

Annual required contribution	$ 519,277
Interest on net pension obligation	4,725
Adjustment to ARC	(5,055)
Annual pension cost	518,947
Contributions made	519,277
Increase(decrease) in net pension obligation	(330)
Net pension obligation - beginning of year	60,963
Net pension obligation - end of year	$ 60,633

17. Pension Plan, concluded

Historical Trend Information
Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the pension plan is presented below.

Pension Cost Information

Plan Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 478,934	99.7%	$ 61,296
2011	481,021	100.0%	60,963
2012	$ 518,947	100.0%	$ 60,633

Schedule of Funding Progress

Plan Year Ended December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2006	$ 1,496,176	$ 2,468,560	$ 972,384	60.6%	$ 4,056,284	24.0%
2007	1,861,565	2,918,668	1,057,103	63.8%	4,648,606	22.7%
2008	2,160,646	3,399,887	1,239,241	63.6%	5,086,422	24.4%
2009	2,311,404	3,935,021	1,623,617	58.7%	5,521,511	29.4%
2010	2,770,507	4,646,354	1,875,847	59.6%	6,852,406	27.4%
2011	3,182,711	5,040,760	1,858,049	63.1%	6,713,647	27.7%
2012	3,688,493	5,705,153	2,016,660	64.7%	7,126,832	28.3%

18. Other Post-Employment Benefits

Plan Description

The Pickens County Retiree Insurance Program (the "OPEB Plan") is a single-employer defined benefit post-employment health care plan or other post-employment benefit (OPEB) plan. Participant counts as of January 1, 2010, the most recent valuation date, are shown below. The County Commissioner has the authority under which the obligations of the plan members and the employer are established or may be amended. The OPEB Plan does not issue a stand-alone financial report.

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 of age 56 with 15 or more years of consecutive full-time service in order to receive benefits.

18. Other Post-Employment Benefits, continued

Plan Description, continued

Current Membership as of January 1, 2012:

Active employees	265
Retirees and beneficiaries currently receiving benefits	3
Total number of participants	268

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 as 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, 2010. The assumptions used in the January 1, 2012 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	9.50%
Ultimate Cost Trend Rate	5.00%
Year of Ultimate Trend Rate	2018
Amortization Method	Level Percentage of Pay, open
Remaining Amortization Period	30 years
Payroll Inflation Rate	3.00%

The County's OPEB cost, and increase in net OPEB obligation for the current year ended December 31, 2012, were as follows:

Annual required contribution	$ 415,991
Interest on net OPEB obligation	16,640
Adjustment to ARC	(30,198)
Annual OPEB cost	402,432
Contributions made	51,124
Increase (decrease) in net OPEB obligation	351,308
Net OPEB obligation - beginning of year	790,274
Net OPEB obligation - end of year	$ 1,141,582

18. Other Post-Employment Benefits, concluded

Historical Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the pension plan is presented below.

Schedule of Employer Contributions

Plan Year Ended December 31,	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
2009	$ 250,120	0%	$ 250,120
2010	250,120	4%	491,003
2011	333,320	10%	790,274
2012	402,432	13%	1,141,582

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2010	$ 0	$ 1,444,428	$ 1,444,428	0.0%	$ 9,242,485	15.6%
1/1/2012	0	2,073,395	2,073,395	0.0%	8,530,847	24.3%

19. Hotel/Motel Lodging Tax

The County has levied a 6% lodging tax in accordance with OCGA 48-13-51. A summary of the transactions for the year ended December 31, 2012 follows:

Lodging tax receipts	$ 32,627	
Disbursements for tourism	$ 25,638	78.6% of tax receipts

20. Joint Ventures

On January 4, 1995, Pickens County entered into an agreement with Bartow County, Georgia establishing a Joint development authority. The County Commissioner of Pickens County and the County Commissioner of Bartow County signed an agreement whereby the Joint Development Authority of Bartow County and Pickens County was established for the promotion of business development in each county as well as expanding industry, 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, 2012, 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 2012. As a result, no balance sheet or income statement is presented in the audited financial statements of Pickens County at December 31, 2012.

Under Georgia law, the County, in conjunction with other cities and counties in the northwest Georgia area, is a member of the Northwest Georgia Regional Commission (NWGRC) and is required to pay annual dues thereto. During the year ended December 31, 2012, the County paid $24,362 in such dues. Membership in the NWGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The NWGRC Board membership includes the chief elected official in 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 an RDC. A copy of the NWGRC financial statements can be obtained from NWGRC, P.O. Box 1798 Rome Georgia, 30162.

The County is a member of the Northwest Georgia Regional Water Resources Partnership. This organization is made up of water withdrawal permit holders, local governments, and other advocacy entities with an interest in water issues. The purpose of the 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 citizens 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 $2,183 for the year ended December 31, 2012. Separate financial statements can be obtained from Northwest Georgia Regional Water Resources Partnership, P.O. Box 1793, Rome, GA 30162.

21. Risk Financing Activities

Material estimates have been made by management about the historical cost of capital assets and the life of the depreciated capital assets. Management has used a conservative approach on these estimates.

The County is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has Joined together with other municipalities in the state as part of the Association of County Commissioners of Georgia Interlocal Risk Management Agency Property and Liability insurance Fund and 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 these risk pools, the County Is obligated to pay all contributions and assessments as prescribed by the pools, 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 agent and attorneys to represent the County in investigation, settlement discussions, and ail levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

21. Risk Financing Activities, concluded

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 worker's compensation law of Georgia. The funds are to pay all costs taxed against the members in any legal proceeding defended by the members, ail interest accruing after entry of judgment, and ail expenses incurred for investigation, negotiation, or defense.

Settled claims in the past three years have not exceeded the coverage.

22. Commitments and Contingencies

Commitments

The County has active construction projects as of December 31, 2012. At year end, the County's commitments with contractors are as follows:

Project	Amount	Remaining
Community Center	$ 2,827,250	$ 100,000
Courthouse Renovations	8,210,935	536,811
Total	$ 11,038,185	$ 636,811

Contingencies

The County is a defendant in several lawsuits. Management intends to contest these open cases vigorously. The County's legal counsel has stated that the outcome of these lawsuits is not presently determinable.

Pickens County participates in a number of Revenue Sharing Grants. Expenditures financed by Revenue Sharing Grants are subject to a compliance audit by the grantor or its representative. If expenditures are disallowed due to noncompliance with program regulations, the County may be required to reimburse the grantor government. The County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the County.

PICKENS COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue						
	Emergency 911	Drug Task Force	Victims of Crime Assistance	Hotel Motel Tax	Adult Drug Court	CASA	Law Library
ASSETS							
Cash and cash equivalents	$ -	$ 58,606	$ 7,628	$ 11,911	$ 12,682	$ 3,548	$ 30,422
Accounts receivable	60,410	-	-	3,322	37,429	-	-
Due from other governments	-	222,062	-	-	-	87,788	-
Due from other funds	-	93,950	-	-	-	-	3,333
Prepaid items	-	-	-	-	-	-	-
Total assets	$ 60,410	$ 374,618	$ 7,628	$ 15,233	$ 50,111	$ 91,336	$ 33,755
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 28,470	$ 55,217	$ -	$ 7,943	$ 7,977	$ 44,187	$ 1,243
Other liabilities	-	56,387	-	-	-	-	-
Due to other funds	458,681	89,229	-	-	24,538	2,801	721
Total liabilities	487,151	200,833	-	7,943	32,515	46,988	1,964
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	173,785	7,628	7,290	17,596	44,348	31,791
Unassigned	(426,741)	-	-	-	-	-	-
Total fund balances (deficit)	(426,741)	173,785	7,628	7,290	17,596	44,348	31,791
Total liabilities and fund balances	$ 60,410	$ 374,618	$ 7,628	$ 15,233	$ 50,111	$ 91,336	$ 33,755

(continued)

PICKENS COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Special Revenue						
	Appalachan Pre-Trial and Probation	Family Drug Court	Family Connect	Commissary Commissions	Domestic Victims Visitation	Mental Health Court	Total
ASSETS							
Cash and cash equivalents	$ 46,198	$ 8,231	$ -	$ 20,510	$ 1,263	$ 8,200	$ 209,199
Accounts receivable	1,679	37,589	9,536	-	8,165	16,094	174,224
Due from other governments	-	-	-	-	-	-	309,850
Due from other funds	-	-	39,012	-	-	15,249	151,544
Prepaid items	-	1,900	-	-	-	-	1,900
Total assets	$ 47,877	$ 47,720	$ 48,548	$ 20,510	$ 9,428	$ 39,543	$ 846,717
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 1,831	$ 10,918	$ 40	$ -	$ 655	$ 4,183	$ 162,664
Other liabilities	-	-	-	-	-	-	56,387
Due to other funds	56,135	5,288	33,973	-	2,233	16,759	690,358
Total liabilities	57,966	16,206	34,013	-	2,888	20,942	909,409
Fund Balances:							
Nonspendable	-	1,900	-	-	-	-	1,900
Restricted	-	29,614	14,535	20,510	6,540	18,601	372,238
Unassigned	(10,089)	-	-	-	-	-	(436,830)
Total fund balances (deficit)	(10,089)	31,514	14,535	20,510	6,540	18,601	(62,692)
Total liabilities and fund balances	$ 47,877	$ 47,720	$ 48,548	$ 20,510	$ 9,428	$ 39,543	$ 846,717

(concluded)

PICKENS COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue						
	Emergency 911	Drug Task Force	Victims of Crime Assistance	Hotel Motel Tax	Adult Drug Court	CASA	Law Library
REVENUES							
Other taxes	$ -	$ 285	$ -	$ 32,627	$ -	$ -	$ -
Intergovernmental	-	290,170	71,512	-	114,232	172,721	-
Fines and forfeitures	-	9,116	-	-	-	-	17,456
Charges for services	556,260	-	-	-	99,657	-	-
Investment income	34	58	10	59	159	-	48
Total revenues	556,294	299,629	71,522	32,686	214,048	172,721	17,504
EXPENDITURES							
Current:							
Judicial	-	-	68,860	-	227,221	202,069	28,534
Public safety	1,039,689	364,815	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Housing and development	-	-	-	25,638	-	-	-
Total expenditures	1,039,689	364,815	68,860	25,638	227,221	202,069	28,534
Excess (deficiency) of revenues over (under) expenditures	(483,395)	(65,186)	2,662	7,048	(13,173)	(29,348)	(11,030)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	55,097	-	-	-	10,000	-
Transfers out	-	-	-	(6,177)	-	-	-
Total other financing sources (uses)	-	55,097	-	(6,177)	-	10,000	-
Net change in fund balances	(483,395)	(10,089)	2,662	871	(13,173)	(19,348)	(11,030)
FUND BALANCES, beginning of year	56,654	183,874	4,966	6,419	30,769	63,696	42,821
FUND BALANCES (DEFICIT), end of year	$ (426,741)	$ 173,785	$ 7,628	$ 7,290	$ 17,596	$ 44,348	$ 31,791

(continued)

PICKENS COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue						
	Appalachan Pre-Trial and Probation	Family Drug Court	Family Connect	Commissary Commissions	Domestic Victims Visitation	Mental Health Court	Total
REVENUES							
Other taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,912
Intergovernmental	26,000	80,900	38,940	-	40,782	196,683	1,031,940
Fines and forfeitures	371,293	-	-	-	-	-	397,865
Charges for services	38,959	8,186	3,000	34,154	-	-	740,216
Investment income	124	-	-	-	-	-	492
Total revenues	436,376	89,086	41,940	34,154	40,782	196,683	2,203,425
EXPENDITURES							
Current:							
Judicial	434,435	110,730	-	-	39,931	189,994	1,301,774
Public safety	-	-	-	61,281	-	-	1,465,785
Health and welfare	-	-	37,450	-	-	-	37,450
Housing and development	-	-	-	-	-	-	25,638
Total expenditures	434,435	110,730	37,450	61,281	39,931	189,994	2,830,647
Excess (deficiency) of revenues over (under) expenditures	1,941	(21,644)	4,490	(27,127)	851	6,689	(627,222)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	9,073	74,170
Transfers out	-	-	-	-	-	-	(6,177)
Total other financing sources (uses)	-	-	-	-	-	9,073	67,993
Net change in fund balances	1,941	(21,644)	4,490	(27,127)	851	15,762	(559,229)
FUND BALANCES, beginning of year	(12,030)	53,158	10,045	47,637	5,689	2,839	496,537
FUND BALANCES (DEFICIT), end of year	$ (10,089)	$ 31,514	$ 14,535	$ 20,510	$ 6,540	$ 18,601	$ (62,692)

(concluded)

PICKENS COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012

	Clerk of Superior Court	Judge of Probate Court	Magistrate Court	Sheriff	Tax Commissioner	Total Agency Funds
ASSETS						
Cash	$ 199,865	$ 35,919	$ 30,659	$ 11,364	$ 138,424	$ 416,231
Restricted cash	-	20,587	-	31,360	79,180	131,127
Taxes receivable	-	-	-	-	6,282,234	6,282,234
Total Assets	$ 199,865	$ 56,506	$ 30,659	$ 42,724	$ 6,499,838	$ 6,829,592
LIABILITIES						
Due to others	$ 199,865	$ 56,506	$ 30,659	$ 42,724	$ 6,499,838	$ 6,829,592
Total Liabilities	$ 199,865	$ 56,506	$ 30,659	$ 42,724	$ 6,499,838	$ 6,829,592

PICKENS COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE YEAR ENDED DECEMBER, 31 2012

	Original Estimated Cost	Current Estimated Cost	EXPENDITURES			Estimated % of Completion
			Prior Years	Current Year	Total	
Special Local Option Sales Tax						
2003 Projects:						
Road Improvements	$ 7,550,000	$ 6,242,313	$ 5,887,676	$ 354,637	$ 6,242,313	83%
Capital Improvements:						
Fire Department	2,250,000	2,484,658	2,443,456	41,202	2,484,658	110%
Emergency Medical Services	1,250,000	1,122,100	1,125,092	(2,992)	1,122,100	90%
Emergency 911	450,000	724,013	664,637	59,557	724,194	161%
Sheriff Department	6,000,000	12,229,629	12,229,629	-	12,229,629	204%
Water Department	4,500,000	2,465,482	2,395,903	69,579	2,465,482	55%
Total 2003	$ 22,000,000	$ 25,268,195	$ 24,746,393	$ 521,983	$ 25,268,376	
2008 Projects:						
Road Improvements	$ 1,476,356	$ 987,514	$ -	$ -	$ -	0%
Capital Improvements:						
Courthouse	17,000,000	17,000,000	1,580,176	6,853,860	8,434,036	50%
Debt Service Admin Building	2,726,000	3,123,649	3,123,649	-	3,123,649	115%
Debt Service Detension Center	3,200,000	3,200,000	3,200,000	-	3,200,000	100%
Parks and Recreation	3,000,000	3,000,000	-	-	-	0%
Library	2,000,000	2,000,000	-	-	-	0%
Public Safety	1,500,000	1,500,000	-	-	-	0%
Water line improvements	2,000,000	2,000,000	-	-	-	0%
Contractual Payments:						
City of Jasper	954,889	954,889	-	-	-	0%
City of Nelson	110,780	110,780	-	-	-	0%
City of Talking Rock	31,975	31,975	-	-	-	0%
Total 2008	$ 34,000,000	$ 33,908,807	$ 7,903,825	$ 6,853,860	$ 14,757,685	

PICKENS COUNTY, GEORGIA
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER, 31 2012

State Program Name	Contract Number	Current Year Received	Current Year Expended	Amount Due from (to) State
Family Connections	93-11110091-99	$ 21,126	$ 21,126	$ -
Family Connections	93-121200118-99	22,000	22,000	11,000

The above schedule has been prepared on the modified accrual basis of accounting.

INTERNAL CONTROL AND COMPLIANCE SECTION

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Certified Public Accountants

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Joe Sapp, CPA
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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*

To the Honorable Commissioner Robert Jones
Pickens County, Georgia

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Pickens County, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Pickens County, Georgia's basic financial statements and have issued our report thereon dated December 2, 2013. Our report includes a reference to other auditors who audited the financial statements of Pickens County Health Department, as described in our report on Pickens County, Georgia'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 of the financial statements, we considered Pickens County, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pickens County, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of Pickens County, Georgia's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, listed as 2012-1, 2011-1, 2011-2, 2011-3, and 2011-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pickens County, Georgia's financial statements are free from 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*.

Pickens County, Georgia's Response to Findings

Pickens County, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pickens County, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RL Jennings & Associates, PC

Ellijay, Georgia
December 2, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Commissioner Robert Jones
Pickens County, Georgia

Report on Compliance for Each Major Federal Program

We have audited Pickens, County Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pickens County, Georgia's major federal programs for the year ended December 31, 2012. Pickens County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pickens County, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pickens County, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pickens County, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, Pickens County, Georgia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Pickens County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pickens County, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

R L Jennings & Associates, PC

Ellijay, Georgia
December 2, 2013

PICKENS COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Pickens, Georgia.
2. The auditor's report on compliance and internal control over financial reporting discloses significant deficiencies.
3. The auditor's report on compliance and internal control over financial reporting discloses no instances of noncompliance.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Pickens County, Georgia expressed an unqualified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Pickens County, Georgia are reported in Part C of this schedule.
7. The programs tested as major programs consisted of:

Grantor	CFDA#
Appalachian Regional Commission	23.001
Edward Byrne Memorial Formula Grant Program	16.579
Drug Court Discretionary Program	16.585

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

B. FINDINGS – FINANCIAL STATEMENTS AUDIT – Significant Deficiencies in Internal Control

Comment 2012-1

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

Criteria: Proper internal controls require proper reporting of transactions between County funds and reconciliation between funds on a monthly basis.

Effect: Failure to maintain transactions between funds can lead to improper reporting and reimbursement to and from County funds.

Recommendation: The Finance Department should be implement procedures to properly track and account for transactions between funds.

Management Response: Management concurs with this finding. The Finance Department will develop policies and procedures to account for transactions between funds.

Comment 2011-1

Condition: There is a lack of segregation of duties regarding cash in the Clerk of Superior Court's office as we noted that the employees responsible for preparing deposits are also receiving and recorded receipts in the Court's accounting system. Also, employees responsible for receipting money have the ability to void transactions in the accounting system; there is currently no approval or review of voided transactions.

Criteria: Proper internal controls require adequate segregation of duties in control over receipts and adjustments.

Effect: Failure to maintain adequate separation of duties subjects the assets of the County to greater risk of misappropriation.

Recommendation: Someone separate from the receipting process should reconcile and prepare all deposits. Someone separate from the receipting process should also approve all voided transactions and review the voided transaction report on a regular basis,

Management Response: Management concurs with this finding. Someone separate from the receipting process should reconcile and prepare all deposits. Someone separate from the receipting process should also approve all voided transactions and review the voided transaction report on a regular basis.

Comment 2011-2

Condition: There is a lack of internal controls regarding cash receipting in the Clerk of Superior Courts office. We noted that staff are not reconciling receipts to the cash deposit on a daily basis. Manual receipts are given to customers when monies are received; however, the receipts are not entered into the Court's accounting system on a timely basis. When the receipts are entered into the accounting system, they are entered by the date recorded rather than the date actually received. Deposits are made only one to two times per month. Receipt numbers are not recorded on deed recordings and could not be traced to the accounting system.

Criteria: Proper internal controls require that cash receipts be deposited and transactions recorded in a timely manner.

Effect: Failure to record and deposit cash receipts in a timely manner exposes the County to a greater risk of loss due to fraud.

Recommendation: Cash receipts should be recorded in the accounting system immediately. If possible, the customer should be given a computer-generated receipt instead of a manual receipt. Staff should reconcile the receipts to the cash deposit on a daily basis and deposits be made to the bank accounts a minimum of once per week. Receipt numbers should be recorded on all source documents.

Management Response: Management concurs with this finding. Clerk of Superior Court staff will record receipts in the accounting system immediately upon. Cash deposits will be reconciled to daily

receipts reports and deposits will be made to the bank accounts at least weekly. Receipt numbers will be recorded on all source documents.

Comment 2011-3

Condition: There is a lack of segregation of duties regarding cash in the Probate Court as we noted that the Clerk maintains the checkbooks, signs checks for the Judge, receipts monies received in the Court, prepares deposits, and reconciles the bank accounts.

Criteria: Proper internal controls require adequate segregation of duties in control over adjustments to the general ledger.

Effect: Failure to maintain adequate separation of duties subjects the assets of the County to greater risk of misappropriation.

Recommendation: The Probate Judge should sign all checks, review all deposits and reconcile the deposits to the receipt ledgers, and review all bank statements to verify the appropriateness of all transactions and evidence his review by signature or initials.

Management Response: Management concurs with this finding. The duties concerning financial operations of the Probate Court will be expanded to include the Probate Judge. This action was taken immediately upon receipt of the comment from our auditors.

Comment 2011-4

Condition: The Clerk of Superior Court does not maintain a listing of cash bonds held in the Court bank accounts and cannot reconcile the account for unidentified amounts.

Criteria: Proper internal controls require that cash accounts be reconciled to the general ledger and the appropriate subsidiary ledgers in a timely manner, usually monthly.

Effect: Failure to reconcile cash accounts exposes the County to greater risk of loss and may lead to management decisions based on incorrect information.

Recommendation: The Clerk of Superior Court staff should review the bank account records and the Court's case files to identify all cash bonds currently held.

Management Response: Management concurs with this finding. The Clerk of Superior Court Staff will review the bank account records and the Court's case files to identify all cash bonds currently held.

C. FINDINGS – FINANCIAL STATEMENTS AUDIT – Instance of Noncompliance

None reported.

D. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS – Significant Deficiency in Administering Federal Awards and Instances of Noncompliance

None reported.

Pickens County, Georgia
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
APPALACHIAN REGIONAL COMMISSION			
Local Development District	23.009	GA-0701G-C1	$ 300,000
			300,000
U.S. DEPARTMENT OF HOMELAND SECURITY			
EMS Equipment Grant	97.042	n/a	6,895
			6,895
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Georgia Department of Human Resources			
Promoting Safe and Stable Families	93.556	827-3094	30,752
Victims of Crime Act Assistance Program	93.556	C11-8-097	54,544
Victims of Crime Act Assistance Program	93.556	C12-8-103	49,090
Total U.S. Department of Health and Human Services			*134,386*
U.S. DEPARTMENT OF JUSTICE			
Passed through the Criminal Justice Coordinating Council			
Violence Against Women Formula Grants	16.588	W09-8-063	$ 15,211
	16.588	C11-8-096	63,757
	16.588	W11-8-045	25,624
			104,592
Edward Byrne Memorial Formula Grant Program	16.579	B82-8-166	276,647
	16.579	B10-8-032	191,820
	16.579	B11-8-048	95,910
			564,377
Victim Witness Assitance Program	16.378	C11-8-096	63,757
Drug Court Discreationary Program	16.585	J12-8-076	228,768
	16.585	412-8-001	7,937
	16.585	A12-8-055	92,505
			329,210
Criminal and Juvenile Justice and Mental Health Collobaration Program	16.745	J12-8-120	121,825
Total U.S. Department of Justice			*1,183,761*
Total Expenditures of Federal Awards			*$ 1,625,042*