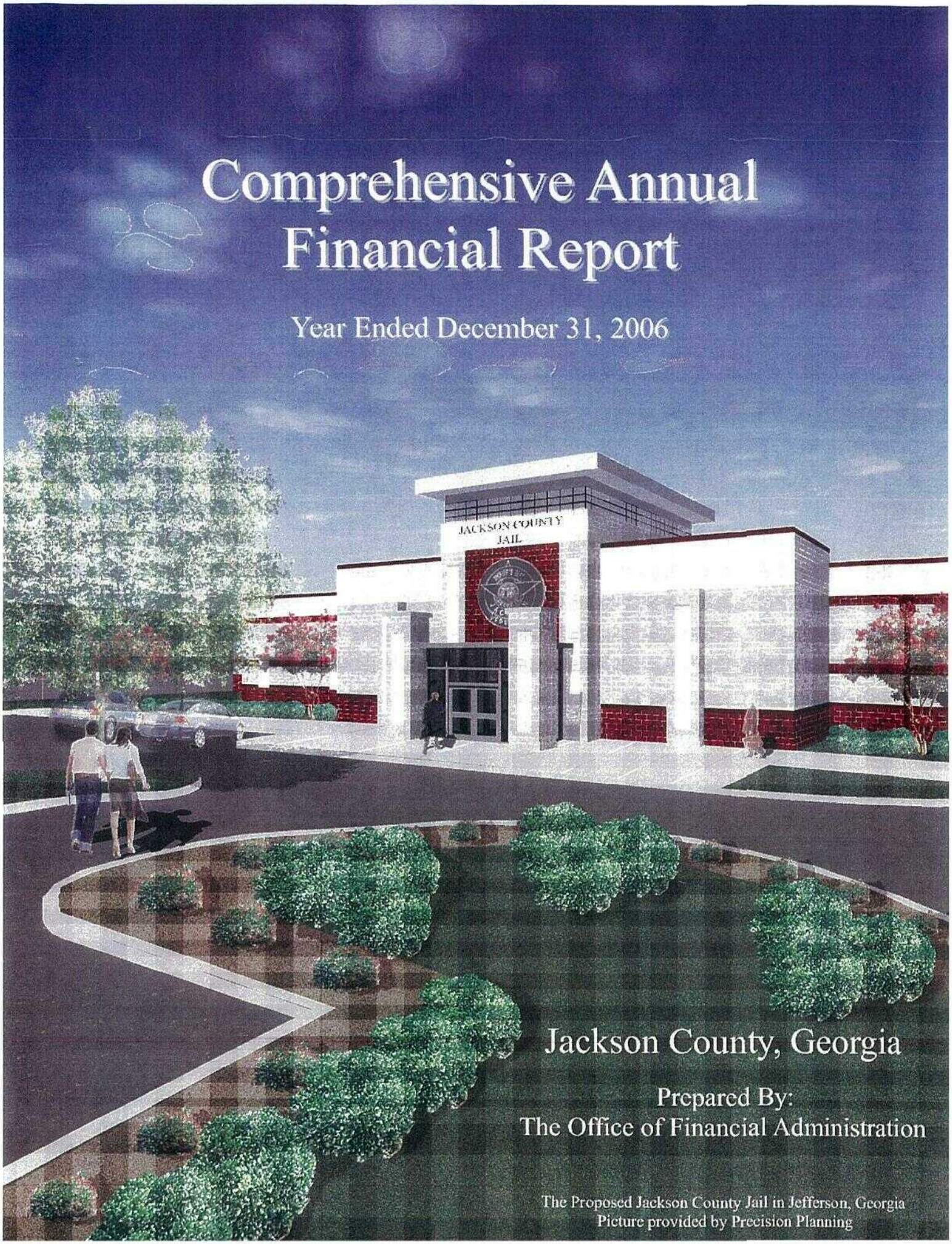
Comprehensive Annual Financial Report

Year Ended December 31, 2006



Jackson County, Georgia

Prepared By:
The Office of Financial Administration

The Proposed Jackson County Jail in Jefferson, Georgia
Picture provided by Precision Planning

JACKSON COUNTY, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2006

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JACKSON COUNTY
BOARD OF COMMISSIONERS

67 ATHENS STREET • JEFFERSON, GEORGIA 30549 • 706-367-6312

Pat Bell
Chairperson

Tom Crow
District 1

Jody Thompson
District 2

Bruce Yates
District 3

Dwain Smith
District 4

May 18, 2007

The Honorable Pat Bell, Chairman,
Members of the Board of Commissioners, and
The citizens of Jackson County Georgia

The Official Code of Georgia as Amended (OCGA) requires that county governments publish, within six months of the end of each of their fiscal years, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of Jackson County, Georgia (the "County") for the fiscal year ended December 31, 2006.

This report consists of management's representation concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and responsibility of all the information presented in this CAFR. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the costs of internal controls should *not* outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this CAFR is complete and reliable in all material respects.

The County's financial statements have been audited by Bates Carter & Co., LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2006, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this CAFR.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to assure compliance with applicable

laws and regulations related to those programs. Thus internal controls are subject to periodic evaluation by management.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. In 2003, the County adopted the new reporting model required by GASB Statement No. 34 (GASB # 34). As part of the requirements contained in GASB # 34, management is to present a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis* (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A is found directly following the independent auditor's opinion in the financial section of this CAFR.

Geographical and Economic Profile of the County

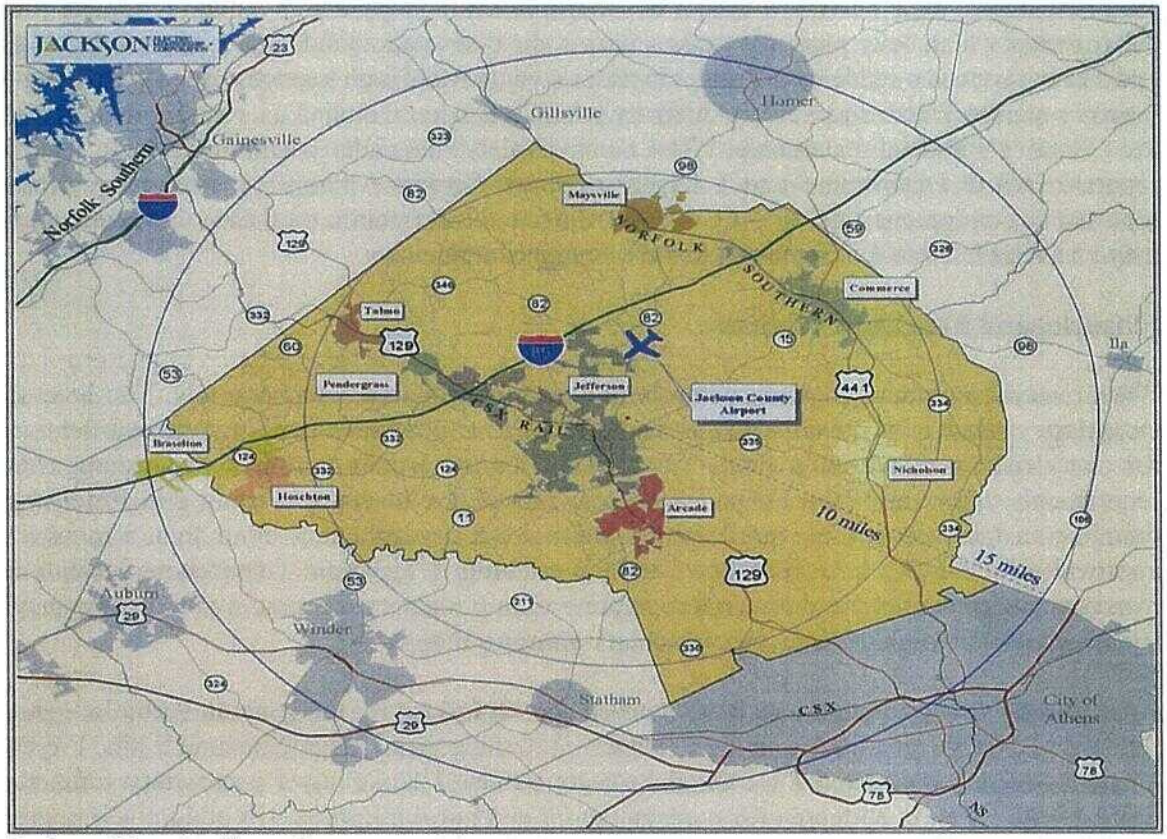
Jackson County is located on the upper fringes of the Piedmont Plateau in northeastern Georgia. The City of Jefferson serves as the County Seat, and is located approximately five miles off of U.S. Interstate Highway 85 (I-85). I-85 runs from southwest to northeast from Montgomery, Alabama to its confluence with I-95 in Richmond, Virginia. The City of Atlanta is less than one hour's travel time along I-85 from most sections of the County. Jefferson is about 20 miles from Athens, which is the home of the state's flagship institution of higher learning, the University of Georgia.

With the close proximity of I-85, and other major highways and railways, the County has become home to several large warehousing and manufacturing facilities. Recently Haverty's Furniture has built a large warehouse off I-85 near Braselton. Toyota Industries North America and Denso Corporation have completed construction on a $110 million automobile air conditioner assembly facility off I-85 near Pendergrass, which employs 275 people. Additionally, Toyota has decided to locate a distribution center on an adjacent 50 acre site. The Kubota Corporation has also expanded its operations by opening a new 400,000 square foot facility in Jackson County which employs 539 people and produces 70,000 tractor implements annually. The City of Commerce has several major retail outlet malls along the I-85 corridor which provide employment and sales tax revenues to the County. U.S. Highway 441, which runs north and south from Knoxville, Tennessee to the state of Florida, also runs through Commerce, giving it ready access from virtually any point within the four-state area of Tennessee, North Carolina, South Carolina and Georgia. Commerce is served by the Norfolk Southern and CSX rail lines.

The County was listed by the U.S. Census Bureau in 2007 as the thirty-second fastest growing county in the United States. Despite a growth of almost 40% in population from 1990 to 2000, the county has retained its largely rural atmosphere. Land use studies show the County's digest value is about 40% commercial, 40% residential and 20% agricultural. The County has been able to avoid some of the pitfalls of rapid growth through wise planning and management of its resources. However, there continues to be constant and growing demands for additional County services, and the County school system, as well as the City school systems of Commerce and Jefferson, are acutely feeling the pains of growth.

The Jackson County Airport is in the process of being upgraded to a Category Three Airport Facility to accommodate corporate and general aviation traffic. Shortly, the main runway is

to be extended to 5,000 feet, which will be able to handle most corporate and private aircraft. The Airport is less than five miles off of I-85 and is located near Jefferson. In addition, Atlanta's Hartsfield-Jackson International Airport, which serves virtually all major U.S. and international airlines, is within 1½ hours of the County.



Jackson County, Georgia

Form of Government

The County operates under the commission/manager form of government. Four members of the Board of Commissioners (BOC) are elected from geographically distinct, single-member districts, while the chairman is elected at-large county-wide. The members serve four-year staggered terms. The BOC hires a county manager to serve as the administrative head of the county government. The manager in turn hires department heads and managers to implement BOC policies and to operate the various functions of county government.

Citizens of the County also elect every four years persons to serve the constitutional offices of sheriff, clerk of superior court, tax commissioner, and probate court judge. Other elected officials include the magistrate court judge, solicitor general, district attorney, superior court judges and the state court judge.

County Services

The County provides a full range of services including law enforcement; construction and maintenance of highways, streets, bridges and other infrastructure; emergency services; recreational and cultural activities, and solid waste disposal. Fire protection (outside the municipalities which have full-time fire departments) is provided by nine volunteer fire departments which levy property taxes within their districts to fund their operations. Water and sewer services outside of the municipalities (which offer such services) are provided by a legally separate Water and Sewer Authority which has been included as a component unit in the County's financial statements. The County is also financially accountable for a legally separate Health Department and a legally separate Airport Authority, both of which are reported as component units of the County. Additional information on these component units may be found in Note 1 in the notes to the financial statements.

Financial and Budgetary Matters

The County maintains budgetary controls to ensure compliance with state law. The level of budgetary control is at the department/fund level, i.e., expenditures may not exceed the total for any department within a fund. Transfers of appropriations within a department shall require only approval of the Finance Director. Transfers between or among departments or funds or an increase in the overall appropriation for a department or fund shall require the approval of the BOC in accordance with the enabling legislation. Department heads and management personnel are directed to operate within budgetary limits to avoid "emergency" situations which would require supplementary appropriations.

Annual budgets are adopted on a basis consistent with GAAP for the general, special revenue funds, and debt service fund, and are integrated into the general ledgers of such funds. Project length budgets are adopted for Capital Projects Funds. The County's proprietary fund, the Solid Waste Fund, is budgeted for management and control purposes. No budget is prepared for the Mayfield Treatment Plant Proprietary Fund. Departments prepare, in conjunction with the Finance Department, revenue and expenditure estimates, as well as capital needs. These budget requests are then reviewed by the BOC and the proposed budgets are presented at a public hearing as required by state law.

Municipalities of the County

The County has nine incorporated municipalities, which compose approximately 37% of the County's population in the Census of 2000. The municipalities and their 2000 populations are Commerce (5,292), Jefferson (3,825), Arcade (1,643), Nicholson (1,247), Hoschton (1,071), Braselton (701), Maysville (575), Talmo (477) and Pendergrass (431). The Town of Braselton gained some notoriety when actress Kim Basinger and some of her associates essentially purchased most of the community several years ago. Parts of the Town of Braselton are located in four different counties, while parts of the City of Maysville are located in both Jackson and Banks Counties. The City of Commerce provides full municipal services including electricity, gas, water and sewerage.

School Systems

The County has a county-wide school system as well as two city school systems. The Jackson County School System operates elementary and middle schools in various parts of the County, and two high schools, the Jackson County Comprehensive High School and the East Jackson High School. The Commerce City School System and the Jefferson City School System are operated as component units of their respective municipalities. The Jackson County School System is fiscally independent of the County BOC and, consequently, its financial statements are separately issued and are not included within the County's financial statements.

Capital Projects for the Future

On March 15, 2005, the voters of Jackson County approved the continuation of a six-year Special Purpose Local Option Sales Tax (SPLOST). The special purpose tax was imposed July 1, 2005 and will expire June 30, 2011. It is anticipated that the tax will yield approximately $51,000,000 over the six year period. The SPLOST was passed, in part, to pay for the construction of a new County Jail and to complete the construction of new Health Department Facilities in the City of Commerce.

Jail Project

Construction of a new Jail and Sheriff's Office Project has been planned for Jackson County to address current inmate overcrowding conditions, the inability to properly classify and segregate inmates, and inadequate facilities for jail support and operations at the existing Jackson County Jail. This estimated cost to complete this project is $33,000,000 and will be funded through special purpose local option sales tax proceeds.

The existing jail, built in the 1940's with an addition in the 1970's, does not comply with current accepted standards for jail facilities. A Needs Assessment report completed in June 2006 recommends a new expandable facility on a 20-25 acre site to accommodate inmate housing growth projections for a minimum of ten years and support and administrative space to accommodate facility needs for fifteen to twenty years.

The facility as designed includes a combination of direct and indirect supervision housing units in a podular design to accommodate up to 424 general population inmates, with capability to segregate the following classifications: Maximum Security Male, Medium Security Male, Minimum Security Male, Female (all classifications), Administrative and Disciplinary Segregation.

Renovation of Historic Courthouse

Plans are underway to renovate the Historic Jackson County Courthouse that was constructed in 1879. An appropriation of $2,000,000 has been authorized by the Board of Commissioners to fund completion of this project. This project is to be financed with local funds.

Fire Training Facility

Phase one of a multi-phase, eight-acre public safety training center has begun. An appropriation of $4,000,000 has been authorized by the Board of Commissioners to fund completion of this project. This project is to be financed with a combination of SPLOST and local funds.

This project will include a Burn Building, a pumper test station and various training facilities to support other emergency services operations, including the Sheriff's Office, EMA, E-911 and Rescue. Additionally, this project will support all 12 Fire Units in the county.

Other Projects

In addition, $25,507,599 has been allocated in the areas of parks and recreation, public safety facilities, roads and bridges, libraries, and water and sewer improvements. At present, construction has begun on the East Jackson Sports Complex which will have four baseball fields, a refreshment center and spectator seating.

Cash Management

Temporarily idle cash earns interest through certificates of deposit or through the Georgia Fund One, a state operated local investment pool. The Georgia Fund One is a short-term investment vehicle which offers variable interest rates generally in the 5.00% per annum range. Presently the County is earning 5.87% on its certificates of deposit.

Debt Management

During 2006, the County entered into a blended lease purchase arrangement with the Association County Commissioners of Georgia Lease Purchase Program. The lease purchase arrangement totaling $1,234,000 was to finance improvements to the County's E-911 Computer Aided Dispatch System, acquisition of sheriff's vehicles, and other municipal equipment. Additional information may be found in Note 6 in the notes to the financial statements.

Additionally, on November 1, 2004, the County, in partnership with the Jackson County Industrial Development Authority, issued revenue bonds in the amount of $16,815,000 to finance the construction of several economic development projects in the County. The components of the project include (i) financing the acquisition and renovation of a dormant shopping center on the east side of Jackson County, in the present day City of Commerce, Georgia, to be used for a Lanier Tech satellite campus; and (ii) financing the construction of several major economic/industrial development roads. While some portions of the project have been completed, which include roads that serve the Toyota plant, other roads to enhance economic development opportunities are in the construction phase. Moreover, the Lanier Tech satellite campus, which offers technical training to Jackson County residents, was completed in 2005.

The county has committed to issuing $40,000,000 in revenue bonds during the second quarter of FY 2007. Proceeds from these bonds will be used to fund the aforementioned capital projects and provide for a $1,000,000 debt reserve. The City of Jefferson's Public Facilities

Authority will be the vehicle used for issuing the debt. The debt service associated with the bond issue will be repaid from a combination of local funds and special purpose local option sales tax receipts (SPLOST).

Risk Management

Through the ACCG group self-insurance plans, the County purchases full coverage comprehensive insurance policies at group rates covering the risk exposures for general and automobile liability, property and casualty coverage, and workers compensation insurance. Group insurance for County employees is provided through Blue Cross/Blue Shield of Georgia. The County pays a portion of the group insurance coverage for employees. Refer to note 10 of the financial statements on page 45 for more details.

Pension and Post-Employment Benefits

The County has a defined benefit plan open only to persons employed prior to January 1, 1998 and certain public safety employees. The plan is administered through ACCG as an agent-multiple employer retirement plan. For those employed after that date, the County, through ACCG offers a Section 401(a) Plan. Employees may also participate in a voluntary Section 457 Deferred Compensation Plan. Details of these various plans may be found in note 11 of the financial statements.

The County has minimal post-employment obligations to former or retired employees.

Awards, Accomplishments and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended December 31, 2005. This was the fifth consecutive year that the County has received this prestigious award. In order to be awarded the Certificate of Achievement, the County must publish an easily readable and efficiently organized CAFR which satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another Certificate of Achievement for the fiscal year ended December 31, 2006.

In addition, the County also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the County must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. The County has received the Distinguished Budget Presentation Award for the budget years beginning January 1, 2002 through January 1, 2007.

The preparation, design and publication of this CAFR represents a significant cooperative effort between the County's Finance Department and its independent auditor, Bates Carter and Co., LLP, CPA's. A special thanks goes to the various County departments and their

directors for their assistance and their cooperation in contributing to the preparation of this CAFR. We would be remiss in our duty if we did not recognize the professional efforts of the Finance Department staff, without whose dedication and untiring efforts, the compilation of the CAFR would not have been possible.

Finally, and certainly not least, we wish to thank the members of the Board of Commissioners for their unfailing support for maintaining the highest professional expectations for the reports we produce, and for their continued support and direction in conducting the fiscal affairs of the County in a progressive and responsible manner.

Respectfully submitted,

Leonard Myers
Interim County Manager

John G. Hulsey
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Jackson Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Jackson County

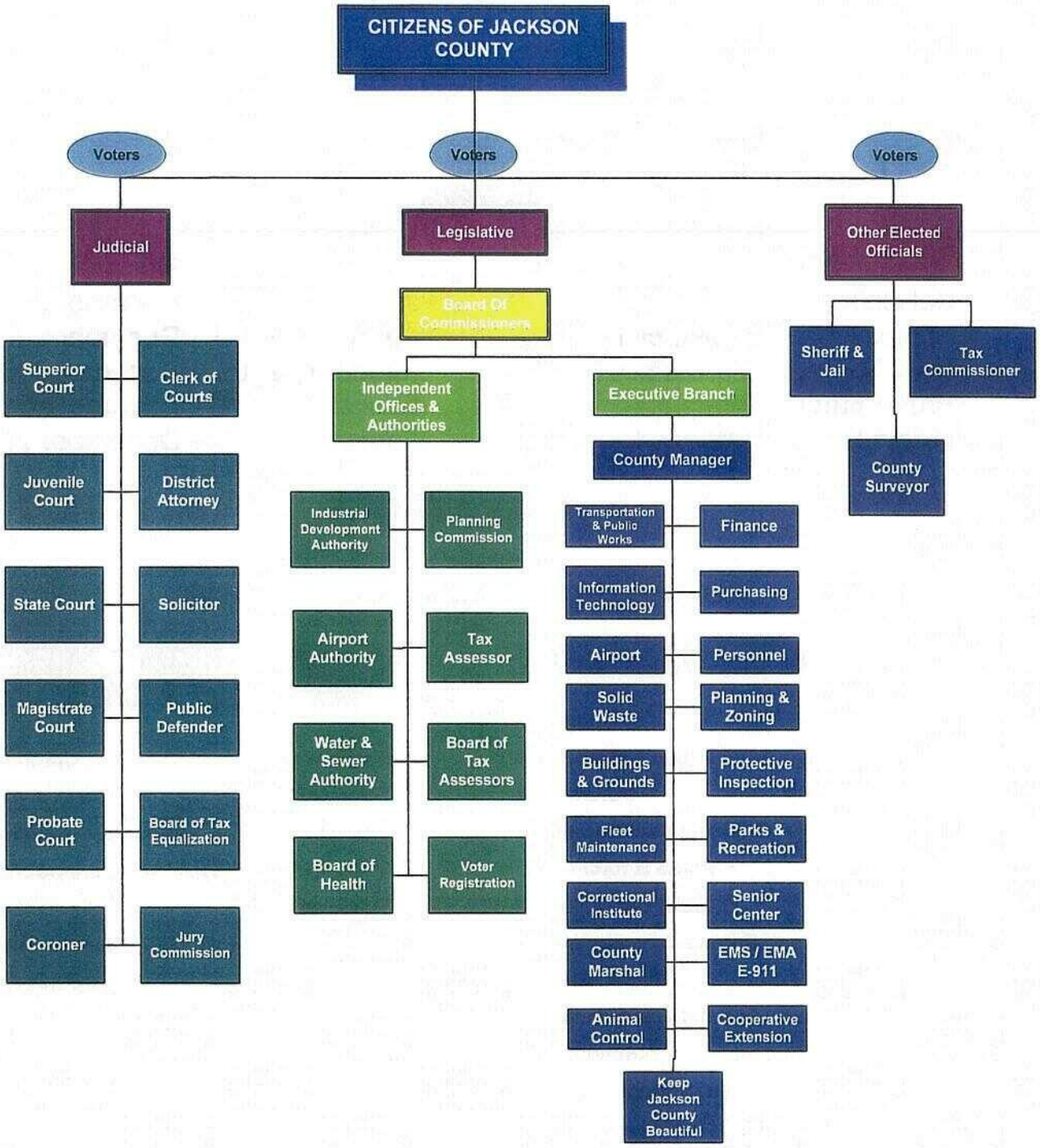
Georgia

For the Fiscal Year Beginning

January 1, 2007

President

Executive Director


CITIZENS OF JACKSON COUNTY
Voters
Voters
Voters
Judicial
Legislative
Other Elected Officials
Board Of Commissioners
Superior Court
Clerk of Courts
Juvenile Court
District Attorney
State Court
Solicitor
Magistrate Court
Public Defender
Probate Court
Board of Tax Equalization
Coroner
Jury Commission
Independent Offices & Authorities
Industrial Development Authority
Planning Commission
Airport Authority
Tax Assessor
Water & Sewer Authority
Board of Tax Assessors
Board of Health
Voter Registration
Executive Branch
County Manager
Transportation & Public Works
Finance
Information Technology
Purchasing
Airport
Personnel
Solid Waste
Planning & Zoning
Buildings & Grounds
Protective Inspection
Fleet Maintenance
Parks & Recreation
Correctional Institute
Senior Center
County Marshal
EMS / EMA E-911
Animal Control
Cooperative Extension
Keep Jackson County Beautiful
Sheriff & Jail
Tax Commissioner
County Surveyor

Officials of Jackson County

JACKSON County

BOARD OF COMMISSIONERS

COMMISSIONER	TERM
Pat Bell – Chairperson	January 2005 – December 2009
Thomas Crow – District 1	January 2005 – December 2009
Jody Thompson – District 2	January 2005 – December 2009
Bruce Yates – District 3	January 2006 – December 2010
Dwain Smith – District 4	January 2006 – December 2010

ADMINISTRATION

Leonard Myers – Interim County Manager

DEPARTMENT DIRECTORS

John Hulsey	**Finance**
Melanie Thomas	**Human Resources**
Linda Kay Daniel	**Purchasing**
Justin King	**Information-Technology**
Ricky Sanders	**Parks & Recreation**
Scott Carpenter	**Public Development**
Don Clerici	**Engineer/Project Mgmt.**
Chad Hope	**Public Safety**
Cathy Johnson	**Chief Tax Assessor**
Tom Page	**Solid Waste**
Larry Guthrie	**Road Superintendent**
Vickie Underwood	**Correctional Institute**
Eugene Brogan	**Marshal**
Marty Rubio	**Maintenance Superintendent**
Donna Seagraves	**Public Defender**
Shirley Smith	**Senior Center**

JUDICIAL & OTHER ELECTED OFFICIALS

Camie Thomas	**Clerk of Court**
Tim Madison	**District Attorney**
Billy Chandler	**Magistrate Court Judge**
Margaret Deadwyler	**Probate Court Judge**
Stan Evans	**Sheriff**
Donald Moore	**Solicitor General**
Jerry Gray	**State Court Judge**
David Motes	**Superior Court Judge**
Penn McWhorter	**Superior Court Judge**
Bob Adamson	**Superior Court Judge**
Joseph Booth	**Superior Court Judge**
Don Elrod	**Tax Commissioner**
Keith Whitfield	**Coroner**

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INDEPENDENT AUDITORS' REPORT

May 18, 2007

Board of Commissioners
Jackson County, Georgia
Jefferson, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of JACKSON COUNTY, GEORGIA, as of, and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Commissioners of JACKSON COUNTY, GEORGIA. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jackson County Health Department, as of, and for the year then ended June 30, 2006, a component unit of the County, which statements reflect total assets of $730,546 as of June 30, 2006, and total revenues of $1,058,319 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the basic financial statements, insofar as it relates to the amounts included for the component unit named above, is based solely on the reports of the other auditors.

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

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

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J. Ronald Bracewell, Jr., C.P.A., A.B.V. | Elizabeth B. Grimes, C.P.A.