NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of JACKSON COUNTY, GEORGIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The government is a political subdivision of the State of Georgia governed by a commission-manager form of government under which a five member Board of County Commissioners is elected to serve as the legislative body for the county. The commission chairman is elected at-large, while the remaining four commissioners are elected by geographical districts in which they reside. Elections for the district seats are staggered four year terms, so as to provide some continuity on the Board of Commissioners. In addition, there are four Constitutional Officers; the Clerk of Superior Court, Probate Court Judge, Sheriff, and Tax Commissioner. The Constitutional Officers are elected countywide. The Board of Commissioners approves all annual appropriations used by the respective Constitutional Officers. As required by generally accepted accounting principles, these financial statements present the government and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

The component unit columns in the combined financial statements include the financial data of the county's component units, which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. They are reported in separate columns to emphasize that they are legally separate from the county.

Brief descriptions of discretely presented component units follow:

JACKSON COUNTY AIRPORT AUTHORITY (airport authority): The airport authority operates the county's noncommercial airport facility. A five-member board governs the airport authority. The county appoints three members of the board, which represents a voting majority. The county also has the ability to impose its will on the authority as all amendments to the rules and regulations of the authority must be approved by the County Board of Commissioners. During fiscal year 2006, the airport authority received $55,500 from the County Board of Commissioners to subsidize annual operations and for matching a capital grant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JACKSON COUNTY HEALTH DEPARTMENT (health department): The health department is charged with determining the health needs and resources of its jurisdiction, developing programs, activities, and facilities responsive to those needs, and enforcing all laws related to health matters unless they fall under the jurisdiction of other agencies. The Jackson County Board of Health (board) governs the health department. The board includes seven members representing government, health professions, and the needy. The county appoints the voting majority of the board. Additionally, the health department is fiscally dependent on the county since it must have its budget approved by the county. During fiscal year 2006, the health department received $141,707 from the County Board of Commissioners to subsidize annual operations.

JACKSON COUNTY WATER AND SEWERAGE AUTHORITY (water authority): The water authority has five members appointed by the Board of Commissioners of Jackson County. A portion of special purpose sales tax funds is passed through to the water authority. The water authority is created for the purpose of acquiring, constructing, equipping, maintaining and operating adequate water supply, treatment and distribution facilities and sewerage collection, treatment and distribution facilities making such facilities and the services thereof available to public and private consumers and users located in the City of Jefferson, Jackson County and their environs, including municipalities within and without the County and to adjoining counties; extending and improving such facilities.

Complete financial statements may be obtained from the administrative offices at the following locations:

JACKSON COUNTY HEALTH DEPARTMENT
P O Box 260
Jefferson, Georgia 30549
(June 30 year end)

JACKSON COUNTY WATER &
SEWERAGE AUTHORITY
P O Box 869
Jefferson, Georgia 30549

The JACKSON COUNTY AIRPORT AUTHORITY does not prepare separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. The County's 2006 levy is to fund 2007 expenses. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes as available if they are collected within 60 days of the end of the current fiscal year for which they are levied. Fines are considered available if they are collected within 60 days of the end of the current fiscal period. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period for which they are imposed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes, sales tax, franchise taxes, fines, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *SPLOST Capital Projects Fund* accounts for funds received from the imposition of a local 1% voter approved sales tax reserved for construction of capital projects in the areas of water and sewerage improvements; roads, streets, bridges and sidewalks; parks and recreation; and public safety facilities for fire departments.

The *Debt Service Fund* accounts for the servicing of general long-term debt associated with revenue bonds issued by the Banks-Jackson-Commerce Hospital Authority.

The *Capital Projects Fund* accounts for acquisition and construction of the County's capital assets.

The government reports the following major proprietary funds:

The *Solid Waste Disposal Facility Enterprise Fund* accounts for the activities of the County's solid waste transfer station.

The *Mayfield Treatment Plant Enterprise Fund* accounts for the operations of the Mayfield Wastewater Treatment Plant. However, the operation of this plant was transferred to the Jackson County Water and Sewerage Authority in the year 2000.

Additionally, the government reports the following fund types:

The *Fuel Depot Internal Service Fund* accounts for charges to other departments or agencies of the government for the purchase of fuel.

The *Agency Funds* are custodial in nature and do not represent 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 the government holds for others in an agency capacity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of interest income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are normally levied by December 20 of each year. The 2006 property taxes were levied October 20, 2006 and were due December 20, 2006. The taxes are subject to lien after March 20, 2007. Interest and penalties may be assessed on taxes not paid by this date.

The County's property taxes were levied on the assessed values of all real and personal property including mobile homes and motor vehicles located in the County.

The County bills and collects its own property taxes and also those for the School Board and the fire districts. Only the County's tax levy is recognized as revenue when levied and uncollected taxes are recorded as deferred revenue in the general fund and fire districts special revenue fund.

3. Inventories and Prepaid Items

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

4. Restricted Assets

Certain proceeds of the County's capital leases are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable lease agreements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Roads, bridges and culverts acquired prior to January 1, 2003 have been reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed. No interest was capitalized during 2006.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Computers and peripherals	3
Infrastructure	20
Machinery and equipment	10
Nonstructural improvements	10
Vehicles	3-5
Water and Sewer lines	50
Sewer treatment plant	50
Water treatment plant	20

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon illness of an employee, and the amount of such payments cannot be reasonably estimated. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

pool is managed by the Office of Treasury and Fiscal Services. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on $1.00 per share. The County has no investment policy that would further limit its investment choices. Investments are carried at fair value. Unrealized gains are recognized as income.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. Jackson 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 statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions. Jackson County has no investment policy that would further limit its investment choices. At December 31, 2006, the ratings of its investments are shown above.

Concentration of credit risk. Jackson County places no limit on the amount it may invest in any one issuer.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Jackson County may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of December 31, 2006, all deposits of the County were adequately insured or collateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Jackson County has a policy of placing investments with qualified financial institutions.

NOTE 4 - RECEIVABLES

Receivables as of year end for the County's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST Fund	Nonmajor Governmental Funds	Solid Waste Disposal Facility	Fuel Depot Internal Service Fund
Receivables:					
Property Taxes	$ 3,154,687	$ -	$ 285,117	$ -	$ -
Other accounts	204,012	17,944	649,130	103,166	-
Intergovernmental	1,744,991	1,539,048	68,575	-	77
Fines	9,806,824	-	-	-	-
Total gross receivables	14,910,514	1,556,992	1,002,822	103,166	77
Less: Allowance for Uncollectible	(9,350,257)	-	(261,234)	(8,537)	-
Total Net Receivables	$ 5,560,257	$ 1,556,992	$ 741,588	$ 94,629	$ 77

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	$ 557,197	$ 14,328,151
Delinquent property taxes receivable (Fire Districts Fund)	34,314	1,354,560
Homeowners Tax Relief Grant prior to meeting eligibility requirements (General Fund)		838,347
Homeowners Tax Relief Grant prior to meeting eligibility requirements (Fire District Fund)		96,084
Probation Fines (General Fund)	349,836	-
Grant drawdowns prior to meeting all eligibility requirements (General Fund)		42,000
Grant drawdowns prior to meeting all eligibility requirements (Ambulance Fund)	-	15,000
Grant drawdowns prior to meeting all eligibility requirements (SPLOST Fund)	-	10,000
	$ 941,347	$ 16,684,142

NOTE 4 – RECEIVABLES (CONTINUED)

Property taxes receivable at December 31, 2006 consist of the following:

Digest Year	General Fund	Fire Districts
2006	$ 2,538,787	$ 241,425
2005	402,839	29,464
2004	72,546	4,320
2003	58,204	3,588
2002	37,345	2,509
2001	17,299	1,055
2000	10,686	1,016
1999	6,038	564
1998	3,085	238
1997	1,449	153
1996 & prior	6,409	785
Total	$ 3,154,687	$ 285,117

COMPONENT UNITS

	Health Department	Water and Sewerage Authority	Airport Authority
Receivables:			
Other accounts	$ -	$ 727,732	$ 20,063
Intergovernmental	33,147	65,501	2,209
Total gross receivables	33,147	793,233	22,272
Less: Allowance for Uncollectible	-	(138,314)	-
Total Net Receivables	$ 33,147	$ 654,919	$ 22,272

NOTE 5 - CAPITAL ASSETS

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

Governmental activities:	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Non-Depreciable Assets:					
Land and improvements	$ 4,426,466	$ -	$ -	$ -	$ 4,426,466
Infrastructure land	72,554,232	2,783,409	-	2,355,770	77,693,411
Construction in progress	413,748	1,600,644	-	-	2,014,392
Infrastructure construction in progress	7,106,578	5,706,704	-	(7,186,510)	5,626,772
Total non-depreciable capital assets	84,501,024	10,090,757	-	(4,830,740)	89,761,041
Depreciable Assets:					
Land improvements	368,137	-	-	-	368,137
Buildings and improvements	36,521,934	9,033	-	-	36,530,967
Furniture, fixtures, and equipment	8,214,366	306,104	-	-	8,520,470
Vehicles	9,665,208	677,193	(867,728)	-	9,474,673
Infrastructure	32,650,924	4,025,524	-	4,830,740	41,507,188
Total depreciable capital assets	87,420,569	5,017,854	(867,728)	4,830,740	96,401,435
Less Accumulated Depreciation for:					
Land improvements	(61,292)	(17,978)	-	-	(79,270)
Buildings and improvements	(3,805,743)	(787,811)	-	-	(4,593,554)
Furniture, fixtures, and equipment	(2,599,993)	(733,001)	-	-	(3,332,994)
Vehicles	(7,020,691)	(795,180)	680,152	-	(7,135,719)
Infrastructure	(7,656,828)	(1,676,660)	-	-	(9,333,488)
Total accumulated depreciation	(21,144,547)	(4,010,630)	680,152	-	(24,475,025)
Total depreciable capital assets, net	66,276,022	1,007,224	(187,576)	4,830,740	71,926,410
Governmental activities capital assets, net	$ 150,777,046	$ 11,097,981	$ (187,576)	$ -	$ 161,687,451

Additions to governmental activities capital assets for the year ending December 31, 2006 consist of the following:

Capital outlay	$ 9,889,917
Donated assets	5,218,694
Total Additions	$ 15,108,611
Non-depreciable capital asset additions	$ 10,090,757
Depreciable capital asset additions	5,017,854
	$ 15,108,611

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type activities:					
Non-Depreciable Assets:					
Land and improvements	$ 365,666	$ -	$ -	$ -	$ 365,666
Construction in progress	-	7,353	-	-	7,353
Total non-depreciable capital assets	365,666	7,353	-	-	373,019
Depreciable Assets:					
Buildings and improvements	288,466	-	-	-	288,466
Furniture, fixtures, and equipment	132,470	53,838	(47,150)	-	139,158
Vehicles	108,140	-	-	-	108,140
Total depreciable capital assets	529,076	53,838	(47,150)	-	535,764
Less Accumulated Depreciation for:					
Buildings and improvements	(62,032)	(6,204)	-	-	(68,236)
Furniture, fixtures, and equipment	(86,334)	(35,246)	41,256	-	(80,324)
Vehicles	(108,140)	-	-	-	(108,140)
Total accumulated depreciation	(256,506)	(41,450)	41,256	-	(256,700)
Total depreciable capital assets, net	272,570	12,388	(5,894)	-	279,064
Business-type activities capital assets, net	$ 638,236	$ 19,741	$ (5,894)	$ -	$ 652,083

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

Governmental Activities:	
General Government	$ 229,198
Court System	551,624
Housing and Development	8,516
Public Health and Welfare	58,464
Public Safety	856,339
Public Works	2,245,336
Recreation and Culture	61,153
Total depreciation expense - Governmental Activities	$ 4,010,630
Business-type activities:	
Solid Waste	$ 41,450

The County has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to December 31, 2006 and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Project	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Source
East Jackson Park at Nicholson	$ 1,205,000	$ 297,801	$ -	$ 907,199	Splost
Hurricane Shoals Park Renovations	125,000	103,350	-	21,650	Splost
Jackson County Jail Project	33,000,000	212,377	-	32,787,623	Splost, Series 2007 Revenue Bonds
Historic Courthouse Renovation	2,000,000	14,468		1,985,532	Series 2007 Revenue Bonds; Local funds
Fire Training Facility	4,000,000	147,156	3,150	3,849,694	Splost; Series 2007 Revenue Bonds
Concord Road North - Continuation	180,000	22,936	5,564	151,500	Developer Contribution; Local funds
Road Projects	9,190,341	5,280,151	305,697	3,604,493	Series 2004 Revenue Notes
Intersection improvements:					
Hoods Mill/Water Works Rd.	125,000	98,933	21,600	4,467	Splost
Thompson Mill Road	110,286	23,018	87,299	(31)	Splost; Developer Contribution
Total	$ 49,935,627	$ 6,200,190	$ 423,310	$ 43,312,127	

COMPONENT UNITS

Activity for the Health Department for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Depreciable Assets:				
Furniture and Equipment	$ 107,314	$ -	$ (8,698)	$ 98,616
Less Accumulated Depreciation	(87,426)	(7,161)	8,698	(85,889)
Capital Assets, net	$ 19,888	$ (7,161)	$ -	$ 12,727

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Activity for the Jackson County Water and Sewerage Authority for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type activities:					
Non-depreciable assets:					
Land	$ 2,485,742	$ 1,708	$ -	$ -	$ 2,487,450
Construction in progress	1,118,697	1,704,770	(457,528)	-	2,365,939
Total non-depreciable capital assets	3,604,439	1,706,478	(457,528)	-	4,853,389
Depreciable assets:					
Buildings	290,566	-	(8,974)	-	281,592
Water tanks	4,225,725	-	-	-	4,225,725
Booster pumps	1,156,965	18,700	-	-	1,175,665
Water lines	50,218,897	2,162,910	(89,504)	(190,057)	52,102,246
Meters	799,908	416,669	(4,502)	190,057	1,402,132
Vehicles	213,784	85,178	(74,400)	-	224,562
Sewer System	11,494,286	1,839,447	-	-	13,333,733
Machinery and equipment	691,824	109,808	(188,825)	-	612,807
Total depreciable capital assets	69,091,955	4,632,712	(366,205)	-	73,358,462
Less accumulated depreciation for:					
Buildings	(75,166)	(8,127)	4,459	-	(78,834)
Water tanks	(646,121)	(84,518)	-	-	(730,639)
Booster pumps	(406,921)	(58,783)	4	-	(465,700)
Water lines	(4,397,030)	(1,029,271)	23,853	317	(5,402,131)
Meters	(60,670)	(102,108)	611	(317)	(162,484)
Vehicles	(131,611)	(30,992)	72,210	-	(90,393)
Sewer System	(189,675)	(254,062)	-	-	(443,737)
Machinery and equipment	(407,186)	(53,858)	165,778	-	(295,266)
Total accumulated depreciation	(6,314,380)	(1,621,719)	266,915	-	(7,669,184)
Total depreciable capital assets, net	62,777,575	3,010,993	(99,290)	-	65,689,278
Business-type capital assets, net	$ 66,382,014	$ 4,717,471	$ (556,818)	$ -	$ 70,542,667

The Jackson County Water and Sewer Authority has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to December 31, 2006 for the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Project	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	Funding Source
HWY 129 Waterline Relocation	$ 1,011,115	$ 809,103	$ 82,549	$ 119,463	SPLOST & DOT
HWY 441 Waterline Relocation	124,186	82,872	1,427	39,887	SPLOST
Middle Oconee Water Reclamation	649,509	114,681	-	534,828	Sewer Tap Fees
Jefferson River Road Completion	499,034	147,719	-	351,315	SPLOST
Middle Oconee P-S/Flow Meter	219,914	15,435	108,193	96,286	Sewer Tap Fees
SPLOST Priority 1 - 2006B	3,058,013	178,378	1,070,585	1,809,050	Bond
SPLOST Priority 2 - 2006B	2,547,115	197,178		2,349,937	Bond
Sewer Administration Building	120,009	112,874	7,135	-	Sewer Tap Fees
SPLOST Priority 3	706,434	706,434		-	SPLOST
Building Renovation	49,850	1,265	48,585	-	General Funds
Total all projects	$ 8,985,179	$ 2,365,939	$1,318,474	$ 5,300,766	

Activity for the Jackson County Airport Authority for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type activities:					
Non-Depreciable Assets:					
Land and improvements	$ 3,032,086	$ 29,250	$ -	$ -	$ 3,061,336
Construction in progress	758,547	185,608	-	(188,410)	755,745
Total non-depreciable capital assets	3,790,633	214,858	-	(188,410)	3,817,081
Depreciable Assets:					
Land improvements	1,148,101	-	-	116,618	1,264,719
Buildings and improvements	982,443	-	-	-	982,443
Machinery and equipment	17,700	-	-	71,792	89,492
Total depreciable capital assets	2,148,244	-	-	188,410	2,336,654
Less Accumulated Depreciation for:					
Land improvements	(324,625)	(62,917)	-	-	(387,542)
Buildings and improvements	(175,560)	(34,146)	-	-	(209,706)
Machinery and equipment	(17,700)	(2,393)	-	-	(20,093)
Total accumulated depreciation	(517,885)	(99,456)	-	-	(617,341)
Total depreciable capital assets, net	1,630,359	(99,456)	-	188,410	1,719,313
Business-type activities capital assets, net	$ 5,420,992	$ 115,402	$ -	$ -	$ 5,536,394

NOTE 5 - CAPITAL ASSETS (CONTINUED)

The Jackson County Authority has authorized construction projects. The remaining costs are split between the portion of the contracts that have been entered into for which the work had not been done prior to December 31, 2006 and the remainder of the authorized project expenditure for which contracts have not been entered into as of year end. The source of financing for the remaining project cost is noted below:

Project	Project Authorization	Expended To Date	Contracts in Progress	Authorized Not Obligated	
T-Hangers	$ 675,000	$ -	$ -	$ 675,000	Local Funds; New Debt
Phase 1 Grading/Runway	899,500	747,813	14,440	137,247	Series 2004 Revenue Notes
Total	$ 1,574,500	$ 747,813	$ 14,440	$ 812,247	

NOTE 6 - LONG-TERM DEBT

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Capital leases	$ 29,399,847	$ 1,234,000	$ (2,321,235)	$ 28,312,612	$ 2,472,163	$ 25,840,449
plus Original issue premiums	183,355	-	(6,854)	176,501	6,854	169,647
Subtotal Capital leases	29,583,202	1,234,000	(2,328,089)	28,489,113	2,479,017	26,010,096
IDA 2004 Economic Development Bonds	16,815,000	-	-	16,815,000	670,000	16,145,000
plus Original issue premiums	521,378	-	(28,569)	492,809	28,569	464,240
Subtotal IDA bonds contract payable	17,336,378	-	(28,569)	17,307,809	698,569	16,609,240
Contract payable - Hospital	1,511,250	-	(93,750)	1,417,500	97,500	1,320,000
Subtotal Contracts payable	18,847,628	-	(122,319)	18,725,309	796,069	17,929,240
GEFA Note payable	270,478	-	(19,210)	251,268	20,248	231,020
Compensated absences	465,777	509,749	(450,970)	524,556	450,970	73,586
Governmental activities long-term liabilities	$ 49,167,085	$ 1,743,749	$ (2,920,588)	$ 47,990,246	$ 3,746,304	$ 44,243,942
Business-type activities:						
GEFA Note payable	$ 454,338	$ -	$ (52,617)	$ 401,721	$ 55,534	$ 346,187
Landfill closure/postclosure	830,519	107,919	(131,138)	807,300	143,300	664,000
Compensated absences	12,744	5,378	(3,320)	14,802	3,320	11,482
Business-type activities long-term liabilities	$ 1,297,601	$ 113,297	$ (187,075)	$ 1,223,823	$ 202,154	$ 1,021,669

Compensated absences are generally liquidated by the general fund.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

SUMMARY OF ALL DEBT - GOVERNMENTAL ACTIVITIES

Year	Principal	Interest	Total
2007	$ 3,253,057	$ 2,042,244	$ 5,295,301
2008	2,582,411	1,929,812	4,512,223
2009	1,915,493	1,852,039	3,767,532
2010	1,533,588	1,788,770	3,322,358
2011	1,534,655	1,732,234	3,266,889
2012-2016	8,467,176	7,689,922	16,157,098
2017-2021	9,750,000	5,654,604	15,404,604
2022-2026	9,245,000	3,117,606	12,362,606
2027-2031	7,020,000	1,285,500	8,305,500
2032	1,495,000	37,375	1,532,375
	$ 46,796,380	$ 27,130,106	$ 73,926,486

CAPITAL LEASES

Governmental activities:

Heavy equipment for road construction and various other equipment items and the new courthouse are acquired under capital lease agreements. The County, in conjunction with the Association County Commissioners of Georgia Lease Purchase Program, issued $25,000,000 in aggregate principal of Certificates of Participation (COPS) during October 2003 to finance the construction of a new courthouse facility. Minimum future lease obligations for these leases, as of December 31, 2006, are as follows:

CAPITAL LEASES

Year	Principal	Interest	Total
2007	$ 2,465,309	$ 1,280,819	$ 3,746,128
2008	1,769,818	1,196,742	2,966,560
2009	1,076,747	1,148,139	2,224,886
2010	664,875	1,113,271	1,778,146
2011	635,910	1,088,025	1,723,935
2012-2016	3,449,953	5,026,853	8,476,806
2017-2021	4,250,000	4,119,713	8,369,713
2022-2026	5,485,000	2,853,856	8,338,856
2027-2031	7,020,000	1,285,500	8,305,500
2032	1,495,000	37,375	1,532,375
	$ 28,312,612	$ 19,150,293	$ 47,462,905

NOTE 6 - LONG-TERM DEBT (CONTINUED)

As of December 31, 2006, the capital assets purchased under these capital lease agreements are as follows:

	Governmental Activities
Buildings and improvements	$ 25,836,625
Machinery and equipment	4,866,931
Vehicles	2,337,067
Less accumulated depreciation	(3,140,540)
	$ 29,900,083

CONTRACTS PAYABLE

HOSPITAL

On July 1, 1978, Jackson County entered into a contract with Banks County and Banks-Jackson-Commerce Hospital Authority to fund repayment of an issue of $2,580,000 of Series 1978 Banks-Jackson-Commerce Hospital Authority Revenue Anticipation Certificates, which mature April 1, 2008, bear interest at rates from 6.2% to 6.75%.

These Certificates were refunded in October of 2003, along with the Series 1988 Banks-Jackson-Commerce Hospital Authority Revenue Anticipation Certificates, with the issuance of Series 2003A and 2003B Banks-Jackson-Commerce Hospital Authority Revenue Anticipation Certificates (the "2003" Certificates) in the amount of $2,250,000. The contract related to the 2003 Certificates states that Jackson County is to make payments to the Banks-Jackson-Commerce Hospital Authority Sinking Fund in amounts equal to 75% of the principal and interest. The balance outstanding on the 2003 Certificates at December 31, 2006, is $1,890,000. Jackson County's portion of these certificates is $1,417,500.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize this contract payable as of December 31, 2006 are as follows:

Year	Principal	Interest	Total
2007	$ 97,500	$ 58,856	$ 156,356
2008	101,250	54,583	155,833
2009	101,250	50,229	151,479
2010	105,000	45,795	150,795
2011	108,750	41,199	149,949
2012-2016	618,750	130,048	748,798
2017-2018	285,000	12,416	297,416
Total	$ 1,417,500	$ 393,126	$ 1,810,626

IDA 2004 ECONOMIC DEVELOPMENT BONDS PAYABLE

On November 1, 2004, Jackson County entered into a contract with the Jackson County Industrial Development Authority to fund repayment of an issue of $16,815,000 of Series 2004 bonds with a premium and issuance cost of $552,327 which mature March 30, 2024, and bear interest at rates from 3.00% to 5.00%.

The annual requirements to amortize this debt as of December 31, 2006 are as follows:

Year	Principal	Interest	Total
2007	$ 670,000	$ 689,650	$ 1,359,650
2008	690,000	666,663	1,356,663
2009	715,000	643,000	1,358,000
2010	740,000	620,250	1,360,250
2011	765,000	594,838	1,359,838
2012-2016	4,260,000	2,513,950	6,773,950
2017-2021	5,215,000	1,522,475	6,737,475
2022-2024	3,760,000	263,750	4,023,750
Total	$ 16,815,000	$ 7,514,576	$ 24,329,576

GEFA NOTES PAYABLE

Governmental activities:

On March 6, 1996, the County entered into a $911,436 loan agreement with the Georgia Environmental Facilities Authority (GEFA). These funds were to be drawn down as needed to finance Jackson County's share of the City of Commerce sewerage expansion for the Tanger Outlet Mall. Only $394,350 was drawn on the loan before completion of the project, which was

NOTE 6 - LONG-TERM DEBT (CONTINUED)

completed on October 31, 1998. Repayment of the proceeds began on November 1, 1998. This loan, which bears interest at 5.3%, matures October 1, 2016.

The annual requirements to amortize this debt as of December 31, 2006 are as follows:

Year	Principal	Interest	Total
2007	$ 20,248	12,919	$ 33,167
2008	21,343	11,824	33,167
2009	22,496	10,671	33,167
2010	23,713	9,454	33,167
2011	24,995	8,172	33,167
2012-2016	138,473	19,071	157,544
Total	$ 251,268	$ 72,111	$ 323,379

Business-type activities:

On June 20, 1997, the County entered into a $757,100 loan agreement with the Georgia Environmental Facilities Authority (GEFA) for the construction of the Mayfield Wastewater Treatment Plant. This agreement was later revised to $776,799. This loan, which bears interest at 5.43%, matures April 1, 2013.

The annual requirements to amortize this debt as of December 31, 2006 are as follows:

Year	Principal	Interest	Total
2007	$ 55,534	$ 20,695	$ 76,229
2008	58,611	17,618	76,229
2009	61,859	14,370	76,229
2010	65,287	10,942	76,229
2011	68,905	7,324	76,229
2012	72,723	3,506	76,229
2013	18,802	255	19,056
	$ 401,721	$ 74,710	$ 476,430

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. 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, or proprietary fund type statement of net assets.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Management estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual appropriated budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, all Special Revenue Funds, and Debt Service Fund. Project length budgets are adopted for the Capital Projects Funds. Annual operating budgets are prepared for each Enterprise and Internal Service Fund for planning, control, cost allocation and evaluation purposes. All annual appropriations lapse at fiscal year end.

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

In the summer of each year, all agencies of the government submit requests for appropriation to the Finance Director so that a budget may be prepared. The budget is prepared by fund, function and department, and line item, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Before September 1, the proposed budget is presented to the government's Board of Commissioners for review. The government's Board of Commissioners holds public hearings and may add to, subtract from, or change appropriations.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

The Office of Financial Administration may amend the line item budget within a department's appropriation as long as the total appropriation for that department is not changed. However, expenditures may not legally exceed budgeted appropriations at the department level without a resolution of the Board of Commissioners. The legal level of budgetary control is at the department level within individual funds.

During the year, the Board of Commissioners authorized amendments to include appropriations and revenues that were not originally budgeted and to reclassify certain expenditures.

B. EXCESS OF REVENUES AND EXPENDITURES OVER APPROPRIATIONS

There are no excesses of expenditures over appropriations at the department level (the legal level of control).

C. DEFICIT FUND EQUITY

At December 31, 2006, no funds had deficit fund equity.

NOTE 3 - DEPOSITS AND INVESTMENTS

As of December 31, 2006, Jackson County had the following investments, some of which are cash equivalents:

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10	Rating [1]
General and Capital Project Funds						
Georgia Fund 1	$ 3,906,037	$ 3,906,037	$ -	$ -	$ -	AAAm
Goldman Sachs - Treasury Obligations	4,462,351	4,462,351	-	-	-	AAA
Fidelity Treasury Obligations	3	3	-	-	-	AAA
Internal Service Funds						
U.S. Treasury	-	-	-	-	-	N/A
U.S. Government Agencies	-	-	-	-	-	N/A
	$ 8,368,391	$ 8,368,391	$ -	$ -	$ -	
Maximum Investment		100%				

[1] *Standard & Poors*

The Jackson County investment program shall be operated for all investments to comply with federal, state, and local laws. The investment program should use a competitive selection process for investments in excess of 30 days. All investments shall be made with consideration for environmental and human rights impact.

The Local Government Investment Pool, "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is managed by the Office of Treasury and Fiscal Services. The pool is not registered with the