NOTE 6 - LONG-TERM DEBT (CONTINUED)

COMPONENT UNITS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Business-type activites:						
Series 2004 Revenue Notes	$ 2,600,000	$ -	$ -	$ 2,600,000	$ 150,000	$ 2,450,000

On November 12, 2004, Jackson County entered into a contract with the Airport Authority to fund repayment of an issue of $2,600,000 Series 2005 revenue notes which mature on April 19, 2019 and bear interest at a variable rate of LIBOR + .75 (5.355% as of 12/31/05). These bonds were issued to fund construction of the Emory hanger, additional T hangers, and runway expansion. Repayment of the proceeds begins on April 1, 2007.

The annual requirements to amortize this debt using the variable interest rate of 5.355% effective at December 31, 2006 are as follows:

Year	Principal	Interest	Total
2007	$ 150,000	$ 151,131	$ 301,131
2008	155,000	141,790	296,790
2009	165,000	131,917	296,917
2010	170,000	121,664	291,664
2011	180,000	110,880	290,880
2012-2016	1,025,000	375,551	1,400,551
2017-2019	755,000	58,858	813,858
Total	$ 2,600,000	$ 1,091,791	$ 3,691,791

Long-term liability activity for the Health Department for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
Compensated absences	$ 78,725	$ 10,628	$ (15,834)	$ 73,519	$ 15,795	$ 57,724

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the Jackson County Water and Sewerage Authority for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Business-type activities:						
Bonds payable:						
Revenue bonds	$ 19,085,000	$ 17,620,000	$ (14,020,000)	$ 22,685,000	$ 1,435,000	21,250,000
Less deferred amounts:						
For partial refundings	-	(1,233,357)	3,053	(1,230,304)	(109,891)	(1,120,413)
For issuance discounts	(28,212)	1,147,807	(5,433)	1,114,162	130,130	984,032
Total bonds payable	19,056,788	17,534,450	(14,022,380)	22,568,858	1,455,239	21,113,619
Contracts payable	22,943,965	(1,224,870)	(1,072,778)	20,646,317	681,982	19,964,335
Less deferred amounts:						
For partial refundings	-	1,224,870	(155,506)	1,069,364	83,438	985,926
Total contracts payable	22,943,965	-	(1,228,284)	21,715,681	765,420	20,950,261
GEFA loan	3,008,185	353,252	(47,874)	3,313,563	125,399	3,188,164
Capital lease	14,945	-	(14,945)	-	-	-
Compensated absences	44,758	12,519	(24,215)	33,062	13,225	19,837
Long-term liabilities	$ 45,068,641	$ 17,900,221	$ (15,337,698)	$ 47,631,164	$ 2,359,283	$ 45,271,881

All principal and interest payments on long-term debt are presented below. See additional details on debt following this table.

Period Ending December 31	Principal	Interest	Total
2007	$ 2,242,381	$ 1,942,794	$ 4,185,175
2008	2,016,904	2,051,276	4,068,180
2009	2,781,403	1,967,420	4,748,823
2010	2,890,608	1,845,968	4,736,576
2011	2,851,224	1,716,930	4,568,154
2012-2016	10,698,649	7,193,382	17,892,031
2017-2021	13,508,979	4,425,173	17,934,152
2022-2026	8,799,400	1,378,550	10,177,950
2027-2031	855,332	37,421	892,753
Total	$ 46,644,880	$ 22,558,914	$ 69,203,794

Short-term debt activity for temporary borrowing for cash flow purposes was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Line of credit	$ -	$ 413,048	$ (157,000)	$ 256,048

NOTE 6 - LONG-TERM DEBT (CONTINUED)

REVENUE BONDS

The Authority issues bonds where the Authority pledges income derived from the acquired or constructed assets to pay debt service.

During 1999, the Authority issued $3,525,000 of Series 1999A Bonds and $4,055,000 Series 1999B Bonds for construction of water lines. The bonds carry a rate of interest ranging from 4.45%-5.75% per annum and are payable on March 1 and September 1 of each year. Monthly the Authority is required to deposit the principal and interest payments of the bonds in a sinking fund bank account. Final maturity date of these bonds is September 1, 2021. The 1999B Series bonds were partially refunded in December 2006. See note about the 2006A series bonds.

The Authority constructed, using the proceeds from Series 1999A Bonds, new infrastructure to provide a significant number of gallons of potable water needed at the Georgia Power electric-generator plant each day. The maximum water required to be provided is 500,000 gallons per day. Georgia Power has the option to increase their maximum volume to 1,300,000 gallons per day. It is expected that the revenues from the sale of this water would be sufficient to cover the costs of providing it.

The Authority has constructed water lines from the Bear Creek Water Treatment Plant to Jackson County Water and Sewerage Authority line for a new source of water purchases. The Authority financed these lines by Series 1999B Bond Issue.

During 2000, the Authority issued $12,780,000 of Series 2000A Bonds. The 2000A bonds are to acquire and upgrade a wastewater treatment plant. The bonds carry a rate of interest ranging from 4.30%-5.75% per annum and are payable on March 1 and September 1 of each year. The Authority is providing for the principal and interest payments of the bonds in a sinking fund bank account. Final maturity date of the 2000A series of bonds is September 1, 2022. The 2000A Series bonds were partially refunded in December 2006. See note about the 2006A series bonds.

During 2006, the Authority issued $12,090,000 in revenue bonds to provide funds to partially advance refund the Authority's 1999B and 2000A series bonds. These bonds which bear interest rates from 3.50% to 5.25% mature September 1, 2022. The Authority placed $14,277,228 in an escrow account to be used for satisfying scheduled payments of interest, principal, and redemption premiums on the 1999B and 2000A maturing 2007 through 2012. The refunding reduced the aggregate debt services payments by almost $690,107 and resulted in an economic gain (the difference between the present value of old and new debt service payments) of about $563,007. The accounting loss on the refunding was approximately $1,233,357. This loss was deferred and is being amortized over the remaining life of the new debt in accordance with GASB No. 23.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following table summarizes amortization of the deferred amount on refunding and the new bond issued costs combined with the original issue discount which are being charged to operations using the effective-interest method.

Year Ended December 31	New Debt Beginning Of Year	Deferred Amount on Refunding	Unamortized Issue Costs and Original Issue Premium	Net Carrying Amount	Effective Interest	Stated Interest	Current Expense Deferred Amount on Refunding	Amortization of Issue Costs and Original Issue Premium
2007	$12,090,000	$ 1,230,304	$ (745,378)	$ 11,605,074	$ 471,195	$ 427,881	$ 109,891	(66,577)
2008	12,090,000	1,120,413	(678,802)	11,648,389	613,822	570,508	109,891	(66,577)
2009	12,090,000	1,010,522	(612,223)	11,691,701	613,822	570,508	109,891	(66,577)
2010	12,090,000	900,631	(545,646)	11,735,015	613,653	570,508	109,464	(66,319)
2011	11,900,000	791,167	(479,327)	11,588,160	606,467	563,858	108,104	(65,495)
2012	11,675,000	683,063	(413,832)	11,405,769	597,399	555,982	105,077	(63,660)
2013	10,890,000	577,986	(350,172)	10,662,186	563,479	524,582	98,682	(59,785)
2014	9,970,000	479,304	(290,387)	9,781,083	523,969	487,782	91,810	(55,623)
2015	9,015,000	387,494	(234,763)	8,862,269	487,884	454,358	85,059	(51,533)
2016	8,025,000	302,435	(183,230)	7,905,795	446,334	416,050	76,833	(46,549)
2017	6,995,000	225,602	(136,681)	6,906,079	390,867	364,550	66,768	(40,451)
2018	5,920,000	158,834	(96,230)	5,857,396	332,893	310,800	56,057	(33,964)
2019	4,790,000	102,777	(62,267)	4,749,490	268,988	251,476	44,428	(26,916)
2020	3,600,000	58,350	(35,351)	3,577,001	201,682	189,000	32,175	(19,493)
2021	2,345,000	26,174	(15,858)	2,334,684	130,704	123,112	19,264	(11,672)
2022	1,025,000	6,910	(4,187)	1,022,277	56,535	53,812	6,910	(4,187)
					$ 6,919,693	$ 6,434,767	$ 1,230,304	$ (745,378)

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The scheduled payments of principal and interest are as follows:

Period Ending December 31	Bonds Principal	Bonds Interest	Bonds Total
2007	$ 1,435,000	$ 875,321	$ 2,310,321
2008	1,195,000	1,019,698	2,214,698
2009	1,950,000	967,502	2,917,502
2010	2,035,000	872,278	2,907,278
2011	1,965,000	773,294	2,738,294
2012	975,000	690,148	1,665,148
2013	1,120,000	648,772	1,768,772
2014	1,165,000	601,272	1,766,272
2015	1,210,000	556,508	1,766,508
2016	1,265,000	506,210	1,771,210
2017	1,320,000	441,550	1,761,550
2018	1,390,000	374,080	1,764,080
2019	1,465,000	300,196	1,765,196
2020	1,545,000	222,320	1,767,320
2021	1,625,000	140,192	1,765,192
2022	1,025,000	53,812	1,078,812
Net Debt Shown	22,685,000	9,043,153	31,728,153
Deferred on refunding	(1,230,304)	-	(1,230,304)
Original issue discount	(32,731)	-	(32,731)
Original issue premium	1,146,893	-	1,146,893
Net Debt Shown	$22,568,858	$9,043,153	$31,612,011

UPPER OCONEE BASIN WATER AUTHORITY CONTRACT

On November 1, 1997, the Upper Oconee Basin Water Authority (the Issuer) issued $60,770,000 of Revenue Bonds, Series 1997 (UOBWA) in order to finance the acquisition, construction and installation of a water supply reservoir and a water treatment plant (collectively the Project). These Bonds, which mature July 1, 2027, bear interest at rates from 4.25% to 5.25%. The Issuer is governed by a board composed of ten members, four of whom are the chief elected officials of the member counties: Athens-Clarke, Barrow, Jackson, and Oconee Counties, whose regular terms shall be concurrent with their terms of office; four of whom are appointed by the governing authority of each Member County, whose terms shall be for one year; one who is appointed by the Upper Oconee Resource Management Commission, whose term shall be for a period of two years; and one who is appointed by the previously identified nine members of the board, whose term shall be for a period of two years.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Jackson County has entered into an Intergovernmental Agreement dated July 22, 1996 with UOBWA, Barrow County, and Oconee County that requires each county to pay its proportional share of the principal and interest payments on this debt. Those shares are Barrow County 37.520%, Jackson County 41.521%, and Oconee County 20.959%. While Jackson County has the legal obligation to make these payments, it is anticipated that the payments will be financed by the sale of water by the Jackson County Water and Sewerage Authority. In the event that the funds from such sales are not sufficient to pay the principal and interest, Jackson County has the obligation to levy property taxes sufficient to make them.

In order to present the impact of this project fairly, the debt and related intangible asset, "Water Plant Capacity", are recorded as part of the Jackson County Water & Sewerage enterprise fund even though the legal obligation belongs to Jackson County. The Water Plant Capacity intangible asset is being amortized on a straight line basis over the life of the underlying assets of the UOBWA, 100 years for the dam/reservoir and 50 years for the water treatment facility.

During 2005, the Upper Oconee Basin Water Authority issued $ 48,155,000 of revenue bonds (Series 2005) for a partial refunding of $51,105,000 of the Authority's Series 1997 revenue bonds. The refunding was undertaken to reduce total future debt service payments. The accounting gain for the County on the refunding was approximately $1,224,870. This gain was deferred and is being amortized over the remaining life of the new debt in accordance with GASB No. 23. The following table summarizes amortization of the deferred amount on the refunding being charged to operations using the effective-interest method.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Year Ended December 31	New Debt Beginning Of Year	Deferred Amount on Refunding	Net Carrying Amount	Effective Interest	Stated Interest	Current Expense Deferred Amount on Refunding
2007	$ 20,646,317	$ (1,069,364)	$21,715,681	$ 865,733	$ 949,171	$ (83,438)
2008	19,964,390	(985,926)	20,950,316	836,772	917,418	(80,646)
2009	19,272,027	(905,280)	20,177,307	811,826	890,068	(78,242)
2010	18,574,474	(827,038)	19,401,512	791,992	868,323	(76,331)
2011	17,857,199	(750,707)	18,607,906	768,834	842,933	(74,099)
2012	17,113,973	(676,609)	17,790,582	744,044	815,753	(71,709)
2013	16,342,720	(604,899)	16,947,619	718,428	787,669	(69,241)
2014	15,543,441	(535,659)	16,079,100	691,919	758,604	(66,685)
2015	14,715,097	(468,973)	15,184,070	659,229	722,764	(63,535)
2016	13,850,422	(405,438)	14,255,860	619,315	679,003	(59,688)
2017	12,942,150	(345,750)	13,287,900	577,894	633,590	(55,696)
2018	11,989,243	(290,054)	12,279,297	534,436	585,944	(51,508)
2019	10,988,587	(238,546)	11,227,133	488,802	535,912	(47,110)
2020	9,938,106	(191,436)	10,129,542	440,894	483,387	(42,493)
2021	8,835,723	(148,944)	8,984,667	391,909	429,680	(37,771)
2022	7,678,325	(111,172)	7,789,497	340,414	373,222	(32,808)
2023	6,462,743	(78,364)	6,541,107	284,980	312,446	(27,466)
2024	5,187,011	(50,898)	5,237,909	226,801	248,659	(21,858)
2025	3,848,997	(29,040)	3,878,037	165,780	181,758	(15,978)
2026	2,437,283	(13,062)	2,450,345	101,400	111,172	(9,772)
2027	855,333	(3,290)	858,623	34,131	37,421	(3,290)
				$11,095,533	$ 12,164,897	$ (1,069,364)

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The scheduled payments of principal and interest are as follows:

Period Ending December 31	UOBWA Principal	UOBWA Interest	UOBWA Total
2007	$ 681,982	$ 949,171	$ 1,631,153
2008	692,363	917,418	1,609,781
2009	697,553	890,068	1,587,621
2010	717,275	868,323	1,585,598
2011	743,226	842,933	1,586,159
2012	771,253	815,753	1,587,006
2013	799,279	787,669	1,586,948
2014	828,344	758,604	1,586,948
2015	864,675	722,764	1,587,439
2016	908,272	679,003	1,587,275
2017	952,907	633,590	1,586,497
2018	1,000,656	585,944	1,586,600
2019	1,050,481	535,912	1,586,393
2020	1,102,383	483,387	1,585,770
2021	1,157,398	429,680	1,587,078
2022	1,215,527	373,222	1,588,749
2023	1,275,733	312,446	1,588,179
2024	1,338,014	248,659	1,586,673
2025	1,411,714	181,758	1,593,472
2026	1,581,950	111,172	1,693,122
Net Debt Shown	$21,715,681	$12,164,897	$ 33,880,578

GEFA LOAN

The Authority entered into a loan with the Georgia Environmental Facilities Authority (GEFA) during 1999 to provide water service to the Hidden Oaks Subdivision. The loan had a draw capacity of $449,422. During 1999, the Authority drew $449,422 on the loan. Only $173,100 of this loan is required to be repaid at zero interest, with the balance being a subsidy. The loan is payable quarterly beginning June 1, 2000 and matures June 1, 2020.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

During 2003, the Authority obtained an additional loan from GEFA for $2,882,291 at 3.98%. This loan along with a $1,500,000 grant from the U.S Department of Commerce Economic Development Administration and a $300,000 grant from the Appalachian Regional Commission was used to pay for sewer additions to serve new and existing industrial customers in the Allen Creek and Possum Creek area of the county including Toyota Industries North American, Inc.

As of December 31, 2006, the Authority had drawn down $3,035,543 including $153,252 of accrued interest added to the loan balance. The loan is to be repaid in 80 equal installments. These repayments began October 1, 2006, and are due the first of each quarter.

Period Ending December 31	GEFA Principal	GEFA Principal	GEFA Total Principal	GEFA Subsidy	GEFA Subtotal	GEFA Interest	GEFA Total
2007	$ 8,877	$ 102,529	$ 111,406	$ 13,993	$ 125,399	$ 118,302	$ 243,701
2008	8,877	106,671	115,548	13,993	129,541	114,160	243,701
2009	8,877	110,980	119,857	13,993	133,850	109,850	243,700
2010	8,877	115,463	124,340	13,993	138,333	105,367	243,700
2011	8,877	120,128	129,005	13,993	142,998	100,703	243,701
2012	8,877	124,981	133,858	13,993	147,851	95,850	243,701
2013	8,877	130,030	138,907	13,993	152,900	90,801	243,701
2014	8,877	135,283	144,160	13,993	158,153	85,548	243,701
2015	8,877	140,748	149,625	13,993	163,618	80,083	243,701
2016	8,877	146,434	155,311	13,993	169,304	74,397	243,701
2017	8,877	152,349	161,226	13,993	175,219	68,481	243,700
2018	8,877	158,504	167,381	13,993	181,374	62,327	243,701
2019	8,877	164,907	173,784	13,993	187,777	55,923	243,700
2020	2,220	171,569	173,789	3,495	177,284	49,261	226,545
2021		178,500	178,500		178,500	42,330	220,830
2022		185,711	185,711		185,711	35,119	220,830
2023		193,214	193,214		193,214	27,617	220,831
2024		201,019	201,019		201,019	19,812	220,831
2025		209,140	209,140		209,140	11,691	220,831
2026		162,378	162,378		162,378	3,242	165,620
Net Debt Shown	$117,621	$3,010,538	$ 3,128,159	$185,404	$3,313,563	$1,350,864	$4,664,427

NOTE 7 – OPERATING LEASES

The County is obligated under various operating leases for equipment purchases that have an initial term in excess of 1 year. Total cost for such leases were $100,220 for the year ended December 31, 2006. Future minimum rental payments are as follows:

2007	$	83,186
2008		66,282
2009		38,358
Total	$	187,826

NOTE 8 – INTERFUND BALANCE AND ACTIVITY

Balance due to/from other funds at December 31, 2006 consists of the following:

Due to the SPLOST fund from General fund for revenue deposited to general fund bank account	$	419,700
Due to the Capital Projects Fund from the General Fund representing anticipated capital expenditures in excess of appropriations		213,873
Due to Fire Districts from General Fund for annual appropriation amount not reimbursed		234,160
Due to Parks and Recreation from General Fund for annual appropriation amount not reimbursed		17,559
Due to Protective Inspection/Planning and Zoning Fund from General Fund for revenues deposited into the general fund bank account		91,405
Due to Solid Waste Disposal Facility for revenues deposited into the general fund bank account		179,553
Due to the Mayfield Treatment Plant Fund from the General Fund representing debt service payments		29,701
Due to the Fuel Depot from the General Fund representing fuel purchases		-
Subtotal Due to other funds - General Fund		1,185,951
Due to the General Fund from nonmajor funds:		
Emergency 911 for accounts payable paid by the general fund		2,310
Emergency Services/Ambulance for accounts payable paid by the general fund		288,751
Senior Center for accounts payable paid by the general fund		11,093
EMA/Rescue for accounts payable paid by the general fund		41,140
Jail fund for accounts payable paid by the general fund		5,895
Law Library fund for accounts payable paid by the general fund		1,100
Fire Districts for capital lease payment on a fire truck and accounts payable paid by the general fund		269,193
CDBG for seed money for the bank account		100
Greenspace for accounts payable paid by the general fund		78
Subtotal		619,660
Due to the Keep Jackson Beautiful fund from the Solid Waste Fund for fees collected		32,608
Subtotal Due to other funds - Solid Waste Fund		32,608
Due to the general fund from Fuel Depot Internal Service Fund for accounts payable paid by the fund		6,124
Total	$	1,844,343

Summary of interfund receivables and payables reported in fund financial statements:

Due from other funds, Balance Sheet-Governmental Funds	$	1,635,089
Due from other funds, Statement of Net Assets - Proprietary Funds, Business-Type Activities - Enterprise Funds		209,254
Total	$	1,844,343

NOTE 8 – INTERFUND BALANCE AND ACTIVITY (CONTINUED)

Transfers to/from other funds for the year ending December 31, 2006 consist of the following:

Transfer to the General Fund from nonmajor funds:	
Jail Fund representing surcharges on fines for the operation of the jail	$ 387,500
Subtotal	387,500
Transfer to the General Fund from Capital Projects Fund for repairs to a fuel truck	6,000
Transfers to SPLOST Fund from the General Fund for capital outlay for roads and bridges	75,042
Transfers to the Debt Service Fund from the General Fund representing debt service payments	156,718
Transfers to nonmajor funds from the General Fund:	
Emergency 911 Fund representing property taxes and other revenues to fund annual operations	387,822
Parks and Recreation Fund representing property taxes & other revenues to fund annual operations	699,426
EMS/Ambulance Fund representing property taxes and other revenues to fund annual operations	1,564,705
Keep Jackson Beautiful Fund representing property taxes levied to fund annual operations	395
Senior Center Fund representing property taxes levied to fund annual operations	236,961
EMA/Rescue Fund representing property taxes levied to fund annual operations	18,351
Subtotal	2,907,660
Transfers to the Solid Waste Enterprise Fund from the General Fund representing property taxes and other revenues to fund annual operations	606,479
Total	$ 4,139,399

Summary of transfers out to other funds reported in fund financial statements:

Transfers Out, Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	$ 4,139,399
Total	$ 4,139,399

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The County is a party to several legal proceedings that normally occur in governmental operations. As of the date of this financial statement, no awards in these cases have been made against the County. The results of any litigation, however, contain elements of uncertainty, and liability, if any, which might result from these proceedings, would not, in the opinion of management, have a material adverse effect on the ability of the County to meet its financial obligations.

In May of 1999, the County accepted a Community Development Block Grant from the Department of Community Affairs in the amount of $500,000 for the construction of a new Mental Health Center. As a condition of the grant, the County must agree to use the facility for the approved purpose throughout the life of the facility. Should the facility be converted to an ineligible use, the Department of Community Affairs will require repayment of the grant. The

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

repayment will be based on 20-year straight-line depreciation, except 100% repayment of the grant funds will be required to be repaid if the facility is converted during the first five years after the grant closeout date. The period for calculating the repayment amount began upon closeout of the grant in December 2000 and continue until approximately December 2020.

During 2002, Michigan Automotive Compressors, Inc. (MACI), a joint venture between Toyota Industries Corporation and DENSO, contracted to establish a new manufacturing facility in Jackson County. As part of this, Jackson County committed to provide substantial infrastructure improvements, including various road improvements. Most of those improvements have been made. The cost to extend Concord Road to Dry Pond Road by December 31, 2010 has not yet been determined.

NOTE 10 – RISK MANAGEMENT

The County is exposed to various risks in terms 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 not decreased any of its insurance coverage from the prior year, and there have been no claims in excess of insurance coverage over the past three years.

HEALTH

The government carries commercial insurance for its employees through a fully-insured plan with Association County Commissioners of Georgia/Blue Cross Blue Shield of Georgia (ACCG/BCBS).

OTHER

Jackson County is a member of the Association of County Commissioners of Georgia Interlocal Risk Management Agency (IRMA). IRMA is a group self-insurance fund covering general liability, automobile damage and theft, fire damage, and employee dishonesty for Georgia County governments. IRMA pays losses up to $100,000 per individual claim or $1,000,000 for all claims. However, excess losses, if any, are covered by reinsurance and would be paid by the reinsurer.

The members of IRMA are assessable if the losses that IRMA must pay exceed the assets of the pool. At December 31, 2006, there was no need for such an assessment.

NOTE 10 – RISK MANAGEMENT (CONTINUED)

WORKERS' COMPENSATION

The County participates in the Association County Commissioners of Georgia (ACCG) Group Self-Insurance Workers' Compensation Fund (GSIWCF) (FUND), a self-insured pool cooperative arrangement among its members to finance workers' compensation coverage. The fund is owned by its members and is managed by a seven member Board of Trustees made up of representatives from participating counties. Losses up to $450,000 per individual claim are paid by the Fund.

However, excess losses, if any, are covered by reinsurance and would be paid by the reinsurer. The members of the Fund are assessable if the losses that the Fund must pay exceed the assets of the pool. At December 31, 2006, there was no need for such an assessment. Therefore, no liability has been included in these financial statements.

As part of these risk pools, (IRMA & GSIWCF), the County is obligated to pay all contributions and assessments to cooperate with the pools' 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 that could require the funds to pay any type of loss. The County is also to allow all the pools' agents and attorneys to represent the county in investigations, settlement discussions, and all levels of litigation arising out of any claim made against the county.

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 assessed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

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

NOTE 11 - RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

A. PLAN DESCRIPTION

The County contributes to the Association of County Commissioners of Georgia Restated Pension Plan for Jackson County Employees (The Plan), a defined benefit pension plan, an agent multiple-employer public employee retirement system. The Plan 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 Jackson County Board of Commissioners, 67 Athens Street, Jefferson, Georgia 30549.

NOTE 11 - RETIREMENT PLANS (CONTINUED)

The Plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of an adoption agreement adopted by resolution of the County Board of Commissioners , is affiliated with the Association County Commissioners of Georgia Second Restated Defined Benefit Plan (The ACCG Plan), an agent multiple-employer pension plan administered by the Government Employee's Benefit Corporation (GEBCorp). The ACCG, in its role as Plan Sponsor, has the sole authority to amend the provisions of the ACCG Plan, as provided in Section 19.03 of The ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of The Plan, as provided in Section 19.02 of the ACCG Plan document.

The County's covered payroll for employees participating in the Plan as of January 1, 2006 (the most recent actuarial valuation date) was $4,246,716 (based on W-2 earnings for the preceding year).

Before January 1, 1998, all full-time County employees were eligible to participate in the Plan after completing three years of service. No employees can become participants after January 1, 1998. Benefits are fully vested after five years of service. Participants become eligible to retire at age 65 with 3 years of participation in the Plan, but not beyond age 70. Upon eligibility to retire, participants are entitled to an annual benefit in the amount of 1.00% of average compensation up to $6,600 plus 1.50% of average compensation in excess of $6,600 plus $36.00 for each year of credited service payable as a life annuity. Service is limited to 35 years.

Effective January 1, 2004 the plan was changed to allow certain Department of Public Safety employees to enter the plan and purchase prior service with their 401(a) account balance as of December 31, 2003. This plan change resulted in an increase in plan cost by approximately 2.3% of payroll.

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 Board of Commissioners.

All benefit accruals are frozen as of November 30, 1997, except employees electing to remain in the Plan with unfrozen benefits or any employee who retires prior to November 30, 2007. Any employee who retires prior to November 30, 2007 has the option to accrue benefits until their actual date of retirement and forfeit their right to their account balance in their supplemental 401(a) plan.

The Plan's financial statements are prepared on a cash basis, modified to include unrealized gains or losses on marketable securities owned by the Plan and increments in the cash value of death benefits.

Plan assets do not include any loans, notes, bonds, or other instruments or securities of the County or related parties.

NOTE 11 - RETIREMENT PLANS (CONTINUED)

B. FUNDING POLICY

The County is required to contribute at an actuarially determined rate. Section 47-20 of the Georgia Code set forth minimum funding standards for state and local governmental pension plans. Administrative expenses are based on total covered compensation of active plan participants and are added to the state-required annual funding requirement. County employees are not required to contribute to the Plan. The County contributes the entire cost of the Plan, using the actuarial basis described in the annual valuation report.

Contributions totaling $520,846 ($520,846 employer and $0 employee) were made in accordance with actuarially determined contribution requirements determined by an actuarial valuation performed as of January 1, 2006. Employer contributions attributable to the 2006 Plan Year were made in early 2006. The employer contribution represents 12.3% of covered payroll (using the prior year's earnings as a base).

C. ANNUAL PENSION COST

The Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time contribution rates for the County and the Georgia Constitution enables the governing authority of the County, the Board of Commissioners, to establish, and amend from time-to-time contribution rates for the County and its plan participants.

The County's contributions to the Plan for the years ended December 31, 2006, 2005, and 2004 were $520,846, $483,602, and $416,858, respectively, and were equal to the required contribution for each year.

The information was determined as part of the actuarial valuation as of January 1, 2006. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2006
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percent of Pay (closed)
Remaining amortization period	10 years
Asset valuation method	Market Value
Actuarial assumptions:	
Assumed Rate of Return on Assets	8.0 %
Expected Future Salary Increases	6.0 %
Expected Inflation	3.0 %

NOTE 11 - RETIREMENT PLANS (CONTINUED)

The County's annual pension cost and net pension obligation for the pension plan for the current year were determined as follows:

Derivation of annual pension cost:	2006	2005	2004
Annual required contribution	$ 469,472	$ 426,068	$ 366,168
Interest on net pension obligation	(8,640)	(4,055)	-
Amortization of net pension obligation	9,116	4,279	-
Annual pension cost	469,948	426,292	366,168
Contributions made with interest	(520,846)	(483,602)	(416,858)
Increase (decrease) in net pension obligation	(50,898)	(57,310)	(50,690)
Net pension obligation, Beginning of year	(108,000)	(50,690)	-
Net pension obligation, End of year	$ (158,898)	$ (108,000)	$ (50,690)

D.Historical Trend Information

Historical trend information, designed to provide information about a public employee retirement system's progress made in accumulating sufficient assets to pay benefits when due, is presented below:

Plan Year Beginning January 1,	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2006	$ 469,948	$ 520,846	110.8%	$ (158,898)
2005	$ 426,292	$ 483,602	113.4%	$ (108,000)
2004	$ 366,168	$ 416,858	113.8%	$ (50,690)

DEFINED CONTRIBUTION PLAN

Effective January 1, 1998, the County, by resolution, adopted the ACCG Defined Contribution Money Purchase Plan, which operates in conjunction with the Deferred Compensation Plan discussed in NOTE 12. Current employees, who are not participating in the defined benefit plan described above, will be allowed to begin immediate participation. Employees hired after January 1, 1998, must complete one year of service to be eligible. The County contributes 4% of salary as a base contribution. In addition, the County will match 50% of employee voluntary contributions up to 6% of salary.

The employee contributions for 2006 were $352,679 and the County matching contribution was $331,780.

NOTE 11 - RETIREMENT PLANS (CONTINUED)

OTHER POST-RETIREMENT BENEFITS

In addition to pension benefits described above, the County provides post-employment benefit options for healthcare, and dental insurance to eligible retirees and their dependents as per requirements of a local ordinance. No new employees can become participants after January 1, 1998. These benefits are funded on a "pay as you go" method. During 2006, $18,388 was paid for these post-employment benefits. There are currently 12 retirees covered by the plan.

OTHER PLANS

In addition to the above pension plans, the following pension plans cover County employees but the County is not legally responsible for contributions to the pension plans. Other governmental entities are legally responsible for these contributions as well as required disclosures.

(A.) PROBATE JUDGES' RETIREMENT FUND OF GEORGIA
The Probate Judge is covered under a pension plan which requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

(B.) CLERK OF SUPERIOR COURT RETIREMENT FUND
The Clerk of Superior Court is covered under a pension plan which requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.

(C.) SHERIFF'S RETIREMENT FUND/PEACE OFFICER'S ANNUITY AND BENEFIT FUND
The Sheriff and Sheriff Deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.

(D.) GEORGIA STATE EMPLOYEES' RETIREMENT SYSTEM
The Health Department's eligible employees participate in the Georgia State Employees' Retirement System (ERS), a statewide multiple-employer public employee retirement system covering employees of local boards of health and various agencies and departments of the State of Georgia. ERS is funded through employer and employee contributions and the Health Department has no legal obligation for paying benefits.

NOTE 12 - DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Because the assets are held in trust for the employees, they are not assets of the County and are not reported in these financial statements.

NOTE 13 - NORTHEAST GEORGIA REGIONAL DEVELOPMENT CENTER

Jackson County, in conjunction with cities and counties in the ten (10) county Piedmont, Georgia area are members of the Northeast Georgia Regional Development Center (RDC). Membership in the RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The county paid annual dues in the amount of $17,334 to the RDC for the year ended December 31, 2006. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDC's as public agencies and instrumentalities of their members. Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the RDC may be obtained from: Northeast Georgia Regional Development Center, 305 Research Drive, Athens, Georgia 30605.

NOTE 14 - LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on a landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports an estimated portion of these closure and postclosure care costs as a current operating expenditure in each period based on landfill capacity used as of each balance sheet date. The estimated costs are subject to adjustment due to changes in inflation or deflation, technology, or applicable laws or regulations. The current year amortization with respect to the postclosure costs is $131,138. The amount of postclosure care costs remaining as of December 31, 2006 is $807,300. The landfill was officially closed August 20, 1997. An additional $107,919 in postclosure liability was added during 2006 due to the remediation of a contaminated landfill property purchased in 2004. The County is also required to demonstrate financial assurance that the closure and postclosure care cost can be paid in the future. The County is in compliance at December 31, 2006 based on requirements issued by the EPA.

NOTE 15 – RELATED PARTY – UPPER OCONEE BASIN WATER AUTHORITY

Jackson County is one of four member counties of the Upper Oconee Basin Water Authority, a public body corporate and politic created in 1994 by an act of the General Assembly of the State of Georgia (the "Act"). Pursuant to the Act, the Authority is authorized to acquire and develop adequate sources of water supply, including but not limited to the construction of reservoirs; the treatment of such water, and thereafter the transmission of such water within the Upper Oconee Basin area, and to the various counties, municipalities, and public authorities within the Upper Oconee Basin area; to conserve water; to fulfill its purposes and perform its projects in an environmentally sensitive manner; and to strictly limit interbasin transfers of water. The County has entered into the Intergovernmental Reservoir and Raw Water Supply Agreement with the Authority as well as the Intergovernmental Water Treatment and Transmission Agreement as well as certain supplemental contracts whereby the County agrees to provide funds for the operation and maintenance of the Project and to the extent another Member County fails to fulfill its obligation to pay costs of operating the Project, including payment of debts service, to provide additional funds for such costs, irrespective of the demand for or the Project's output of water. Complete financial statements for the Upper Oconee Basin Water Authority may be obtained from: Northeast Georgia Regional Development Center, 305 Research Drive, Athens, Georgia 30605.

NOTE 16 – CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Several of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements. The estimate is for the postclosure cost of the County's landfill, which was closed in 1994. Jackson County has estimated the remaining closure and the thirty-year post closure monitoring cost to be $807,300. The ultimate cost, however will depend on the extent of contamination found as the project progresses.

The estimate for allowance for doubtful accounts related to fines receivable and ambulance charges receivables qualifies as a significant estimate. The estimate is calculated based on prior years' collection experience.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets, depreciated over the estimated useful lives using the straight line method.

NOTE 17 –SUBSEQUENT EVENTS

On April 2, 2007 the Board of Commissioners authorized the issuance of $40 million of debt to finance construction of a new county jail, fire training and public safety facilities, and renovating the historic courthouse. On April 2, 2007 the Board of Commissioners agreed to pay the previous County Manager $350,000 in a settlement related to the termination of his employment.