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WALKER COUNTY, GEORGIA

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2003

BURK PEARLMAN
NEBBEN & HUGGINS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WALKER COUNTY GEORGIA
ANNUAL FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2003

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WALKER COUNTY GEORGIA
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Fiscal Year Ended September 30, 2003

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INDEPENDENT AUDITOR'S REPORT

Commissioner
Walker County, Georgia
LaFayette, Georgia 30728

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2003, which collectively comprise Walker County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Walker County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit, the Walker County Health Department. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Walker County Health Department, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of September 30, 2003. The County also adopted GASB Statements No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government - Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2004, on our consideration of Walker County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral report of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

The management's discussion and analysis and other required supplementary information on pages 3 through 10 and 42 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walker County, Georgia basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Projects constructed with Special Local Option Sales Tax Proceeds as required by Georgia code section OCGA 48-8-121 are also not a required part of the basic financial statements of Walker County, Georgia. The schedules of grant activities on pages 56 through 58, the schedule of expenditures of federal awards, and the schedule of projects constructed with special purpose local option sales tax proceeds have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Burt, Pappas, Nelson, Huggins, PLLC

Chattanooga, Tennessee
January 13, 2004

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS

The following discussion and analysis of Walker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the County's financial statements which follow this analysis.

FINANCIAL HIGHLIGHTS

- Walker County passed a Special Purpose Local Option Sales Tax (SPLOST) referendum during 2003. Bonds backed by SPLOST proceeds in the amount of \$17,355,000 were issued and the funds received on September 30, 2003. Out of the total proceeds, \$4,340,925 (25%) was paid over to the municipalities within the county.
- The assets of Walker County exceeded its liabilities at September 30, 2003 by \$13,860,349 (Net Assets). Of this amount, \$14,141,579 represented the investment in capital assets net of the related debt. An additional \$957,958 is restricted for capital projects. This resulted in a deficit unrestricted net assets of \$1,239,188.
- In the county's business-type activities, revenues exceeded expenditures by \$217,299. This was after a capital contribution from SPLOST funds.
- During the year the county was able to put into service the Construction and Demolition landfill.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities, pages 11 and 12 provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as trustee or agent for the benefit of those outside the government.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. One can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into the following:

Governmental activities - Most of the County's basic services are reported here: Public safety (law enforcement and traffic control, fire and rescue services, and corrections and detention); health and welfare (health and social services); recreation and culture (including libraries); community development (planning, environmental management and cooperative extension); public works (roads); and general government administration (legislative, general and financial, elections and judicial). Property taxes, other local taxes and state and federal grants finance most of these activities.

Business-type activities - The County charges fees to customers to cover the cost of operations for its enterprise fund. The landfill is the only enterprise fund that the county maintains. The landfill maintains the County transfer station, the construction and demolition landfill, and the solid waste landfill, which was closed in 1998. Under federal guidelines, the County must maintain the solid waste landfill for 30 years after it is closed.

Component unit - The County includes the following separate entity in its report - Walker County Health Department. Although legally separate, this "component unit" is included because the County is financially accountable and provides operating and capital funding as well as oversight. The Health Department has a June 30 year end.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds. The fund financial statements provide more information about the County's most significant funds - not the County as a whole.

The County has three kinds of funds:

Governmental funds - Most of the County's basic services are included in government funds, which focus on balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided in an accompanying schedule of the governmental funds statement that explains the relationship (or differences) between them.

Proprietary funds - These funds are used to account for operations that are financed in a manner similar to private business enterprises. The proprietary fund measurement focus is upon determination of net income, financial position and cash flows. Cash and temporary investments related to these proprietary funds are all highly liquid cash equivalents. The County's proprietary fund type consists of the Walker County Landfill. The operation of this fund is generally intended to be self-supporting.

Fiduciary Funds -These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statement - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's schedule of budgetary comparisons, progress in funding its obligation to provide pension benefits to its employees, and employer pension contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In future years this section will explain the differences between the current and prior year's assets, liabilities and change in net assets. Comparative data is not required in the year of GASB No. 34 adoption; therefore, comparative information has not been presented.

Walker County's assets exceeded liabilities by \$13,860,349. This excess is divided into 3 net asset categories. Investment in capital assets less any debt used to acquire these assets that is still outstanding is one of the components of net assets. Walker County uses these assets to provide service to its citizens; consequently, these assets are not available for future spending. Although the county's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets are subject to external restrictions. The balance of \$957,958 represents SPLOST funds which are restricted for capital acquisitions or capital projects. The other component is unrestricted net assets. The amount in this category normally represents amounts that may be used to meet the ongoing obligations to its citizens and creditors. The balance at September 30, 2003, is a deficit of \$1,239,188. This deficit amount will have to be funded by future year revenues.

NET ASSETS
September 30, 2003

	Governmental	Business -type	Total	Component
	Activities	Activities	Primary	Unit
	2003	2003	Government	2003
ASSETS				
Current and other assets	\$20,221,281	\$ 129,563	\$20,350,844	\$ 866,243
Capital assets	<u>21,654,276</u>	<u>4,888,783</u>	26,543,059	<u>7,071</u>
Total assets	<u>41,875,557</u>	<u>5,018,346</u>	46,893,903	<u>873,314</u>
LIABILITIES				
Long-term liabilities	26,553,461	3,805,483	30,358,944	161,000
Other liabilities	<u>2,272,284</u>	<u>402,326</u>	<u>2,674,610</u>	<u>133,425</u>
Total liabilities	<u>28,825,745</u>	<u>4,207,809</u>	33,033,554	<u>294,425</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,058,279	1,083,300	14,141,579	7,071
Restricted for capital projects	957,958	--	957,958	--
Unrestricted	<u>(966,425)</u>	<u>(272,763)</u>	<u>(1,239,188)</u>	<u>571,818</u>
Total net assets	<u>\$13,049,812</u>	<u>\$ 810,537</u>	<u>\$13,860,349</u>	<u>\$ 578,889</u>

Net assets of the County's governmental activities increased by \$2,660,327. This was largely due to most of the county's road work being financed with SPLOST funds. Net assets of the business type activities increased by \$217,299. The county's sole business activity is the Walker County Landfill. During the year-ended September 30, 2003, the Construction and Demolition (C&D) landfill was placed in service. This helped the landfill generate revenues in excess of expenditures by the amount of the increase in net assets.

CHANGES IN NET ASSETS
Year Ended September 30, 2003

	Governmental	Business-type	Total	Component
	Activities	Activities	Primary	Unit
	2003	2003	Government	2003
REVENUES				
Program Revenues:				
Charges for Services	\$ 5,780,609	\$ 1,304,375	\$ 7,084,984	\$ 546,983
Operating Grants & Contributions	1,381,838	--	1,381,838	992,784
Capital Grants & Contributions	563,469	408,014	971,483	--
General Revenues:				
Property Taxes	3,657,862	--	3,657,862	--
Other Taxes	10,473,390	--	10,473,390	--
Other	<u>713,344</u>	<u>621</u>	<u>713,965</u>	<u>292,147</u>
Total Revenues	<u>22,570,512</u>	<u>1,713,010</u>	<u>24,283,522</u>	<u>1,831,914</u>

	Governmental	Business-type	Total	Component
	Activities	Activities	Primary	Unit
	2003	2003	Government	2003
EXPENSES				
General government	\$ 3,115,508	\$ --	\$ 3,115,508	\$ --
Judicial	2,580,382	--	2,580,382	--
Sheriff	5,379,689	--	5,379,689	--
Public Safety	3,120,377	--	3,120,377	--
Public Works	1,371,755	--	1,371,755	--
Health and Welfare	1,923,201	--	1,923,201	1,983,934
Recreation and Culture	275,045	--	275,045	--
Housing and Development	408,185	--	408,185	--
Intergovernmental Payments	1,158,047	--	1,158,047	--
Interest on Long Term Debt	577,996	--	577,996	--
Solid Waste	--	1,495,711	1,495,711	--
Total Expenses	<u>19,910,185</u> ✓	<u>1,495,711</u> ✓	<u>21,405,896</u>	<u>1,983,934</u>
Increase (decrease) in net assets	2,660,327 ✓	217,299 ✓	2,877,626	(152,020)
Net assets - October 1	<u>10,389,485</u>	<u>593,238</u>	<u>10,982,723</u>	<u>730,909</u>
Net assets - September 30	<u>\$13,049,812</u>	<u>\$ 810,537</u>	<u>\$13,860,349</u>	<u>\$ 578,889</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the County completed the year, its governmental funds reported a combined fund balance of \$17,875,408. Approximately 23% of this total amount (\$4,106,063) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed. The reserved fund balance represents remaining SPLOST bond proceeds that are required to be expended on capital projects.

The general fund is the chief operating fund of Walker County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,029,471. The fund balance increased by \$982,238 during the current year. This increase was net of an operating transfer to supplement E911 operations of \$238,330 and an operating transfer to aid in construction of the Childrens' Shelter.

Prior to GASB No. 34, governments were required to present financial statements that presented an aggregated column for each fund type. Each column presented the combined total of all funds of a particular type. Under GASB No. 34, the focus of the fund financial statements is on major funds which generally

represents the government's most important funds. Nonmajor funds are aggregated and presented in single columns. The major funds of Walker County and their fund balances at year-end are: Fire and Rescue, \$19,243; SPLOST 3, \$957,958; and SPLOST 2003, \$12,811,387. The fund balance in Fire and Rescue remained fairly constant while the fund balance in SPLOST 3 decreased by \$1,120,817 and the fund balance in SPLOST 2003 rose by \$12,811,387. The change in SPLOST 3 was the result of capital acquisitions which in governmental funds are presented as expenditures which reduce fund balance. The increase in SPLOST 2003 was primarily the result of issuing bonds during the current year which in governmental funds are shown as an other financing source which directly impacts fund balance.

Proprietary Funds - Walker County's proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements; therefore, the discussion of current year activity in the government-wide section is not duplicated here.

GENERAL FUND BUDGETARY HIGHLIGHTS

The county adopted a final budget after the end of the fiscal year. This amendment was primarily to account for the actual revenues exceeding budgeted revenues by \$352,550 and fund budgeted expenditures exceeding actual expenditures by \$671,768.

The excess revenues over budgeted revenues was primarily due to the following revenue categories where actual revenues exceeded budgeted revenues: tax receipts by \$583,642, fines by \$122,588 and charges for services by \$189,265. The other factor was a one time payment in lieu of tax that was budgeted in fiscal year 2003 but actually was received at the end of fiscal year 2002 and was properly recorded within that year. It was decided not to amend the fiscal year 2003 budget at that time.

The budget amendment as to expenditures was essentially to realign expenditures. This was to take into effect a portion of the Road Department expenditures and charge against SPLOST revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The County's investment in capital assets for its governmental funds as of September 30, 2003 totals \$21,654,276 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. Only infrastructure assets acquired after September 30, 2002, are included. The County's investment in capital assets for the current fiscal year increased by \$8,172,577 net of accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- Implementation of GASB No. 34 requiring reporting capital assets in the government-wide financial statements and removes the use of account groups. Qualifying infrastructure additions are to be recorded.
- Public works activities added current year infrastructure of \$1,194,240.
- The Senior Center was placed in service at a cost of \$529,517. Of that total, \$500,000 was funded by grants.
- CIP at year-end was \$568,346 which represented the year to date investment in the Childrens' Shelter. On completion of the project, ownership will pass to the Family Crisis Center.

The Construction and Demolition Landfill was placed in service at a cost of \$4,016,605. This represented the first stage of the project and allowed it to begin being used. Additional work is to be done to further increase its size thus increasing its useful life.

Vehicles increased by \$2,292,319 during the year. This represented an investment in Fire and Rescue equipment of \$1,943,780, vans for the transit authority of \$73,322, and other of \$275,217.

CAPITAL ASSETS AT YEAR END
September 30, 2003

	Governmental	Business-type	Total	Component
	Activities	Activities	Primary	
	2003	2003	Government	Unit
	2003	2003	2003	2003
Non-depreciable assets:				
Land	\$ 370,443	\$ --	\$ 370,443	\$ --
Construction in progress	568,346	--	568,346	--
Depreciable assets:				
Buildings and improvements	15,223,433	300,653	15,524,086	--
Machinery and equipment	11,754,110	1,190,105	12,944,215	14,142
Infrastructure	1,194,240	--	1,194,240	--
C & D Landfill	--	4,016,605	4,016,605	--
Total	29,110,580	5,507,443	34,618,023	14,142
Less: Accumulated depreciation	(7,456,304)	(1,618,660)	(9,074,964)	(1,707)
Net capital assets	\$21,654,276	\$4,888,783	\$26,543,059	\$12,435

Additional information on the County's capital assets can be found in Note E to the Financial statements in this report.

Debt - At the end of the current fiscal year, the County had total debt outstanding of \$30,733,944. This consisted of bonds, notes payable, lease obligations, landfill closure and postclosure costs and compensated absences.

New debt resulted from issuing \$17,355,000 in general obligation sales tax bonds to finance various capital projects throughout the County and a new capital lease in the amount of \$2,705,468 to purchase additional equipment for the fire and rescue fund. The bond issue is to be repaid over the course of the next five years from the proceeds of the Special Purpose Local Option Sales Tax, while the capital lease will be repaid with charges to property owners.

Other debt consisted primarily of refinancing leases to receive a more favorable cash flow position.

OUTSTANDING DEBT AT YEAR END

	Governmental	Business-type	Totals
	Activities	Activities	
General Obligation Bonds	\$17,738,303	\$ --	\$17,738,303
Lease Obligations	8,300,301	690,019	8,990,320
Notes Payable	375,000	--	375,000
Compensated Absences	514,657	--	514,657
Landfill Closure Costs	--	2,915,444	2,915,444
Totals	\$26,928,261	\$3,605,463	\$30,533,724

Additional information on the County's debt can be found in Note H to the financial statements in this report.

ECONOMIC FACTORS AND THE 2004 BUDGET

The economic downturn is being felt within the county evidenced by the closing of 4 manufacturing facilities and the loss of approximately 1,391 jobs. A property tax increase was not felt to be justified so the rates remained the same for the taxes levied for 2004 operations. The effect of no tax increase coupled with the general economic conditions resulted in budgeted revenues falling from \$14,431,811 for fiscal year 2003 to \$13,789,957 for fiscal year 2004. This decrease of \$641,854 (4.5%) is being absorbed by not giving cost of living raises in the current year and also requiring all departments to pare there budgets for the new fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Walker County Accounting Department, PO Box 445, LaFayette, Georgia 30728.

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
September 30, 2003

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Health Department
ASSETS				
Cash and cash equivalents	\$14,421,772	\$ 418	\$14,422,190	\$ 752,595
Restricted cash	131,574	4,366	135,940	--
Receivables:				
Taxes	276,003	--	276,003	--
Accounts	867,242	124,779	991,991	11
Accounts	402,326	(402,326)	--	--
Internal balances	3,607,338	--	3,607,338	113,637
Due from other government units	140,397	--	140,397	--
Prepaid expenses	374,659	--	374,659	--
Deferred charges - issuance costs	--	--	--	--
Capital assets, net of accumulated depreciation	21,654,276	4,808,783	26,543,059	7,071
TOTAL ASSETS	41,875,557	4,616,020	46,491,577	873,314
LIABILITIES				
Accounts payable and accrued expenses	1,065,227	--	1,065,227	384
Short-term debt	375,000	--	375,000	--
Due to other governments	298,172	--	298,172	70,041
Due to heirs, litigants, and others	37,177	--	37,177	--
Deferred revenues	201,012	--	201,012	63,000
Accrued interest payable	295,696	--	295,696	--
Long-term liabilities -				
Portion due or payable within one year:				
Bonds payable	1,690,000	--	1,690,000	--
Capital leases	1,124,962	209,045	1,334,007	--
Compensated absences	468,721	--	468,721	161,000
Landfill closure and postclosure care costs	--	101,480	101,480	--
Portion due or payable after one year:				
Bonds payable	16,048,303	--	16,048,303	--
Capital leases	7,175,339	680,994	7,856,333	--
Compensated absences	46,136	--	46,136	--
Landfill closure and postclosure care costs	--	2,813,964	2,813,964	--
TOTAL LIABILITIES	29,825,745	3,005,483	32,831,228	294,425
NET ASSETS				
Invested in capital assets, net of related debt	13,050,279	1,083,300	14,141,579	7,071
Restricted Use:				
Capital projects	957,950	--	957,950	--
Unrestricted	(966,425)	(272,763)	(1,239,188)	571,818
TOTAL NET ASSETS	13,041,804	810,537	13,860,349	578,900

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2003

FUNCTION/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 3,115,509	\$ 991,533	\$ 159,899	\$ --	\$(1,964,076)			
Judicial	2,550,382	1,772,377	207,845	--	(600,160)			\$(1,964,076)
Sheriff	3,379,689	434,886	173,626	9,000	(4,766,177)			(600,160)
Public safety	3,120,377	2,195,939	36,900	--	(887,538)			(4,766,177)
Public works	1,371,755	48,068	102,524	24,088	(1,179,077)			(887,538)
Health and welfare	1,923,201	319,808	701,044	534,381	(367,968)			(1,179,077)
Culture and recreation	279,045	--	--	--	(275,045)			(367,968)
Housing and development	408,185	--	--	--	(408,185)			(275,045)
Intergovernmental payments	1,158,047	--	--	--	(1,158,047)			(408,185)
Interest on long-term debt	577,996	--	--	--	(577,996)			(1,158,047)
Total governmental activities	<u>19,910,185</u>	<u>5,780,609</u>	<u>1,381,839</u>	<u>563,469</u>	<u>(12,184,269)</u>			<u>(12,184,269)</u>
Business-type activities:								
Landfill	1,495,711	1,304,375	--	408,014	--	216,678		216,678
Total business-type activities	<u>1,495,711</u>	<u>1,304,375</u>	<u>--</u>	<u>408,014</u>	<u>--</u>	<u>216,678</u>		<u>216,678</u>
Total primary government	<u>\$21,405,896</u>	<u>\$7,084,984</u>	<u>\$1,381,839</u>	<u>\$ 971,483</u>	<u>(12,184,269)</u>	<u>216,678</u>		<u>(11,967,591)</u>
COMPONENT UNIT:								
Walker County Health Department	\$ 1,893,834	\$ 346,983	\$ 392,784	\$ --				(444,167)
General Revenues:								
Taxes:								
General property taxes					3,657,862			3,657,862
General sales and use tax					8,327,211			8,327,211
Selective sales and use taxes					307,800			307,800
Business taxes					1,838,379			1,838,379
Penalties and interest on delinquent taxes					250,164			250,164
In lieu of taxes					272,568			272,568
Payment from Walker County					--			--
Grants and contributions					24,150			24,150
Unrestricted investment earnings					39,926		487	40,413
Gain on sale of capital assets					81,112			81,112
Miscellaneous					45,424		134	45,558
Total general revenues and transfers					<u>14,844,596</u>		<u>621</u>	<u>14,845,217</u>
Change in net assets					<u>2,680,327</u>		<u>217,299</u>	<u>2,897,626</u>
Net assets - beginning					<u>10,164,269</u>		<u>583,238</u>	<u>10,747,507</u>
Net assets - ending					<u>\$ 12,844,596</u>		<u>\$ 800,537</u>	<u>\$ 13,645,133</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2003

	General Fund	Fire and Rescue	SPLOST 3	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 771,010	\$ 2,026	\$ 233,305	\$13,022,719	\$ 392,712	\$14,421,772
Restricted cash	94,448	55	--	37,071	--	131,574
Receivables:						
Taxes	26,955	--	--	--	--	26,955
Accounts	233,859	--	--	--	--	233,859
Due from other funds	1,851,042	219,027	223,115	--	14,893	2,308,077
Due from other governments	2,702,079	--	799,710	--	105,549	3,607,338
TOTAL ASSETS	\$5,679,393	\$ 221,108	\$1,256,130	\$13,059,790	\$ 650,375	\$20,866,796
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 941,978	\$ --	\$ --	\$ 37,071	\$ 86,178	\$ 1,065,227
Compensated absences	57,046	--	--	--	--	57,046
Due to other funds	238,009	201,810	--	211,332	306,603	957,754
Due to other governments	--	--	298,172	--	--	298,172
Due to heirs, litigants and others	37,177	--	--	--	--	37,177
Deferred revenue	712	55	--	--	200,245	201,012
Notes and bonds payable	375,000	--	--	--	--	375,000
TOTAL LIABILITIES	1,649,922	201,865	298,172	248,403	593,026	2,991,388
Fund Balances:						
Reserved for:						
Completion of projects	--	--	957,958	12,811,387	--	13,769,345
Unreserved, reported in:						
General fund	4,029,471	--	--	--	--	4,029,471
Special revenue funds	--	19,243	--	--	39,210	58,453
Capital projects funds	--	--	--	--	18,139	18,139
TOTAL FUND BALANCES	4,029,471 ✓	19,243 ✓	957,958 ✓	12,811,387 ✓	57,349 ✓	17,875,408
TOTAL LIABILITIES AND FUND BALANCES	\$5,679,393	\$ 221,108	\$1,256,130	\$13,059,790	\$ 650,375	\$20,866,796

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 September 30, 2003

Total fund balances - governmental fund types		\$17,875,408 ✓
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land		
Construction in progress	\$ 370,443	
Infrastructure, net of \$19,904 accumulated depreciation	568,346	
Buildings and improvements, net of \$2,754,997 accumulated depreciation	1,174,336	
Equipment, net of \$169,045 accumulated depreciation	12,468,436	
Vehicles, net of \$3,306,817 accumulated depreciation	943,301	
Trucks and construction equipment, net of \$1,205,541 accumulated depreciation	5,191,398	
	938,016	21,654,276
Some of the County's expenditures are charged directly to the statement of revenues and expenditures under the modified accrual basis of accounting. Under the full accrual basis, these expenditures are reported as prepaid.		140,397
County taxes and fire fees reported as revenue under the modified accrual basis, but not susceptible to accrual in the statement of net assets.		(202,817)
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Also, during the year the County issued new debt. The amount borrowed is received in the governmental funds and increases fund balance. The County received a premium of \$383,303 upon issuance of the new debt that will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the new debt. Bond issuance costs of \$374,659 were incurred in connection with the new debt that will be expensed over the remaining life of the debt in the statement of activities. Balances at September 30, 2003, are:		
Accrued interest on bonds		(295,696)
Bond issuance costs		374,659
Bonds payable		
Capital leases	(17,355,000)	
Compensated absences	(8,300,301)	
Unamortized premiums	(457,811)	
	(383,303)	
Total long-term liabilities		(26,496,415)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$13,069,812 ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2003

	General Fund	Fire and Rescue	SPLOST 3	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 3,636,192	\$ --	\$ --	\$ --	\$ --	\$ 3,636,192
Other taxes	6,091,364	--	4,632,189	--	--	10,723,553
Licenses and permits	62,776	--	--	--	--	62,776
Intergovernmental	1,426,271	36,900	--	--	935,246	2,398,417
Charges for services	645,265	1,602,189	--	--	720,246	2,967,700
Fines and forfeitures	1,632,068	--	--	--	50,603	1,682,671
Investment income	14,904	6,892	17,746	--	384	39,926
Contributions and donations	24,150	--	--	--	60,622	84,772
Miscellaneous	1,251,351	174	--	--	1,001	1,252,526
TOTAL REVENUES	14,784,381	1,646,150	4,649,935	--	1,766,902	22,847,353
EXPENDITURES						
Current:						
General government	3,075,396	--	5,364	1,965	--	3,082,715
Judicial	2,497,883	--	--	--	41,775	2,539,658
Sheriff	5,083,764	--	--	20,340	--	5,104,104
Public safety	456,529	3,886,166	--	82,383	833,846	5,258,924
Public works	50,785	--	2,284,408	106,644	--	2,441,837
Health and welfare	1,311,304	--	--	--	1,063,735	2,375,039
Culture and recreation	145,766	--	129,645	--	--	275,411
Housing and development	403,408	--	2,968	--	--	406,376
Debt service:						
Principal retirement	376,710	2,727,591	2,100,000	--	140,701	5,345,002
Interest	177,527	185,825	90,300	--	11,771	465,423
Bond issuance costs	--	--	--	374,659	--	374,659
Intergovernmental payments	--	--	1,158,047	4,340,525	--	5,498,572
TOTAL EXPENDITURES	13,579,062	6,799,582	3,770,752	4,926,916	2,091,828	33,168,140
Excess revenues over (under) expenditures	1,205,299	(5,153,432)	(1,120,817)	(4,926,916)	(324,926)	(10,320,787)
OTHER FINANCING SOURCES (USES)						
Transfers in	--	--	--	--	301,623	301,623
Transfers out	--	--	--	--	--	(301,623)
Bonds issued	(301,623)	--	--	--	--	(301,623)
Premium on bonds issued	--	--	--	17,355,000	--	17,355,000
Capital leases	--	--	--	383,303	--	383,303
Sale of capital asset	--	5,171,002	--	--	26,741	5,197,743
TOTAL OTHER FINANCING SOURCES AND USES	78,562	2,550	--	--	328,364	82,112
Excess of revenues and other sources over (under) expenditures and other uses	(223,061)	5,173,552	--	17,798,303	328,364	23,017,158
Fund balances - beginning of year	982,238	20,125	(1,120,817)	12,811,387	3,438	12,696,371
Fund balances - end of year	3,047,233	1,882	2,078,775	--	53,911	5,178,637
	\$ 4,029,471	\$ 19,247	\$ 957,958	\$ 12,811,387	\$ 57,349	\$ 17,875,408

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2003

Net changes in fund balances - total government funds	\$12,696,371 ✓
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,321,028
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(357,953)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(12,875,460)
Expenditures recognized under the modified accrual basis of accounting for governmental funds, but recorded as prepaid expenses under the accrual basis.	35,050
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified basis of accounting until due, rather than as it accrues.	
Compensated absences	(46,136)
Accrued interest	(112,573)
Change in net assets of governmental activities	<u>\$ 2,660,327</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2003

		<u>Enterprise Fund</u>
		<u>Landfill</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 418	
Receivables, net of allowances	<u>124,779</u>	
TOTAL CURRENT ASSETS		<u>125,197</u>
NONCURRENT ASSETS		
Restricted cash		4,366
Capital assets, net of accumulated depreciation:		
C and D landfill		3,982,866
Buildings and improvements		262,387
Equipment		<u>643,530</u>
TOTAL NONCURRENT ASSETS		<u>4,893,149</u>
TOTAL ASSETS		<u>5,018,346</u>
LIABILITIES		
CURRENT LIABILITIES		
Capital lease payable - short-term		209,045
Landfill closure and postclosure care costs - short-term		101,480
Due to other funds		<u>402,326</u>
TOTAL CURRENT LIABILITIES		<u>712,851</u>
NONCURRENT LIABILITIES		
Capital lease payable - long-term		680,994
Landfill closure and postclosure care costs - long-term		<u>2,813,964</u>
TOTAL NONCURRENT LIABILITIES		<u>3,494,958</u>
TOTAL LIABILITIES		<u>4,207,809</u>
NET ASSETS		
Invested in capital assets, net of related debt		1,083,300
Unrestricted (deficit) net assets		<u>(272,763)</u>
TOTAL NET ASSETS		<u>\$ 810,537</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended September 30, 2003

	Enterprise Fund
	Landfill
OPERATING REVENUES	
Charges for services	\$ 1,304,375
OPERATING EXPENSES	
Salaries	239,351
Employee benefits	74,094
Purchased services	641,816
Landfill closure/postclosure care costs	53,067
Professional fees	106,510
Repairs and maintenance	65,681
Depreciation	214,033
Supplies	55,555
TOTAL OPERATING EXPENSES	1,450,107
OPERATING INCOME (LOSS)	(145,732)
NONOPERATING REVENUES (EXPENSES)	
Interest revenues	487
Miscellaneous revenues	134
Interest expense on capital leases	(45,604)
TOTAL NONOPERATING REVENUES (EXPENSES)	(44,983)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(190,715)
CAPITAL CONTRIBUTIONS	408,014
CHANGE IN NET ASSETS	217,299
Total net assets - beginning	593,238 ✓
Total net assets - ending	\$ 810,537 ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2003

	Enterprise Fund
	Landfill
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,242,933
Payments to suppliers	(920,994)
Payments to employees	(313,445)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,494
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous revenues	134
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	134
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(86,445)
Principal paid on capital lease obligations	(200,169)
Interest paid on capital lease obligations	(45,604)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(332,218)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	487
NET CASH PROVIDED BY INVESTING ACTIVITIES	487
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(323,103)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	327,887
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,784 ✓
DISPLAYED AS:	
Cash	\$ 418
Restricted cash	4,366
	\$ 4,784
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$(145,732) ✓
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	214,033
Landfill closure/postclosure care costs	53,067
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(61,443)
Increase (decrease) in due to other funds	(51,431)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 8,494

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2003

	<u>Pension</u> <u>Trust Fund</u>	<u>Agency</u> <u>Funds</u>
ASSETS		
Cash	\$ --	\$ 2,909,247
Taxes receivable, net of allowances	--	3,983,387
Investments, at fair value:		
Guaranteed fixed income account	3,456,723	--
Mutual funds	<u>496,034</u>	<u>--</u>
TOTAL ASSETS	<u>3,952,757</u>	<u>6,892,634</u>
LIABILITIES		
Accounts payable	--	1,001,431
Due to other governments	--	1,263,868
Due to other funds	--	948,345
Due to heirs, litigants, and others	--	75,767
Deferred revenue	<u>--</u>	<u>3,603,223</u>
TOTAL LIABILITIES	<u>--</u>	<u>6,892,634</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see schedule of funding progress)	\$ <u>3,952,757</u>	\$ <u>--</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 September 30, 2003

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 530,217
Total contributions	<u>530,217</u>
Investment income:	
Interest	<u>38,361</u>
Net investment income	<u>38,361</u>
TOTAL ADDITIONS	<u>568,578</u>
DEDUCTIONS	
Benefits	76,286
Insurance premiums	<u>26,217</u>
Total deductions	<u>102,503</u>
CHANGE IN NET ASSETS	466,075
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>3,486,682</u> ✓
End of year	<u>\$ 3,952,757</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.1 *Reporting Entity*

Walker County, Georgia was established under the laws of the State of Georgia and operates under an elected Sole Commissioner form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Walker County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County. In conformity with generally accepted accounting principles, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

A.1.1 *Discretely Presented Component Unit*

The Walker County Health Department, an entity legally separate from the County, is governed by a seven-member board which includes the Commissioner of Walker County and several members appointed by the County Commissioner. For financial reporting purposes, the Health Department is reported as if it were part of the County's operations because its purpose is to provide health care services and health education to the citizens of the County. Complete financial statements of the Health Department can be obtained from their office: LaFayette, Georgia 30707.

A.1.2 *Related Organizations*

The following related organizations are excluded from the financial reporting entity:

Walker County Water and Sewerage Authority. This is an entity legally separate from the County and is governed by a five-member board appointed by the County Commissioner. The Authority provides water and sewerage services to citizens in a portion of Walker County. The Authority is excluded because the County's accountability does not extend beyond making appointments. The Authority selects its own management staff, sets user charges, establishes budgets, issues debt, and controls all aspects of the daily operations.

Walker County Board of Education. The Board of Education has a separate board elected by the public and provides services to residents within the geographic boundary of the County. It is excluded because the County does not have the ability to exercise influence or control over the daily operations, approve budgets, or provide funding.

Walker County Department of Family and Childrens' Services. This organization has been appointed jointly by the area government's governing bodies. It is an independent unit that selects management staff, sets user charges, establishes budgets and controls all aspects of its daily activities.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

2.1 Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 34 and 37

In June 1988 and in June 2001, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 37 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments - Omnibus*, respectively. These statements provide for the most significant change in financial reporting in over twenty years and are scheduled for a phased-in implementation (based on size of government) starting with fiscal year ending 2003. As part of these statements, there is a new reporting requirement regarding the local governments infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional further delay for implementation to the fiscal year ending 2007 for assets acquired prior to October 1, 2002.

GASB Statement No. 38

In June 2001, the GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds, and deletes various note disclosure requirements. These requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable-rate debt, receivable and payable balances, interfund transfers and balances, and short-term debt.

GASB Interpretation No. 6

In March 2000 the GASB issued Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The County has implemented GASB Statements No.s. 34, 37, and 38 and Interpretation No. 6 as of September 30, 2003, and these statements are presented according to those requirements.

A.1 Basis of Presentation

A.1.1 Government-wide Statements

The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The County does not allocate indirect costs.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

A.3.2 *Fund Financial Statements*

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund, including fiduciary funds, are accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The emphasis of fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GAB No. 34 sets minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The County reports the following major governmental funds:

General Fund. This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Fire and Rescue Fund. This fund is used to account for fees collected by the Tax Commissioner on behalf of the County that are specifically restricted to providing fire and rescue services.

SPLOST 3 Bond Construction Fund. This fund is used to account for the construction of numerous County projects. The advance bond issue from the 1998 SPLOST and State grant revenues are used to finance these projects.

SPLOST 2003 Bond Construction Fund. This fund is used to account for the construction of numerous County projects. The advance bond issued from the 2003 special purpose local option sales tax (SPLOST) referendum, SPLOST revenues and State grant revenues are used to finance these projects.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

The County reports the following major enterprise fund:

Landfill. This fund accounts for the operation, maintenance, and development of the County's solid waste and construction and demolition landfills.

The County reports the following fund types:

Pension Trust Fund. The Pension Trust Fund accounts for the activities of the Walker County defined benefit pension plan.

Agency Funds. The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the County holds for others in an agency capacity.

A.3.3 Accounting Period

All funds of Walker County, Georgia, are on fiscal year basis with the year ending September 30, 2003, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2003.

A.4 Measurement Focus, Basis of Accounting

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

A.5 *Budgetary Data*

The County Commissioner prepares a proposed budget for the upcoming fiscal year in September of the preceding fiscal year and makes it available for public inspection at the county courthouse. After a public hearing on the proposed budget is held, the proposed budget is adopted by resolution of the Commissioner. The budget amounts for the fiscal year may be amended by the County Commissioner to actual operating figures. Walker County prepares annual operating budgets for all governmental funds. At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Commissioner, budgetary transfers between departments can be made. The legal level of budgeting control is at the department level or elected office level. All appropriations lapse at the end of each fiscal year.

The capital project funds have a project length budget, which was adopted when the fund was formed. The Special Purpose Local Option Sales Tax (SPLOST) budget was prepared from the projected total SPLOST tax revenues and capital outlays.

A.6 *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is not used by Walker County.

A.7 *Assets, Liabilities and Net Assets*

A.7.1 *Cash and Investments*

Cash in excess of current requirements is invested in certificates of deposits with various maturities or transferred to interest-bearing savings accounts. Deposits in excess of federally insured amounts are required to be collateralized by securities of the depository bank.

For purposes of the statement of cash flows, the County considers all highly liquid investments, including restricted cash, with a maturity of three months or less when purchased to be cash equivalents.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

Investments of the County are reported at fair value.

The County is permitted under state law to invest in obligations of Georgia or any other state, obligations issued by the U. S. government, obligations fully insured or guaranteed by the U. S. government, or by a government agency of the United States, obligations of any corporation of the U. S. government, prime bankers' acceptances, the local government investment Pool established by state law, repurchase agreements, and obligations of other political subdivisions of Georgia.

A.7.2 Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The amounts estimated to be uncollectible from property taxes receivable and accounts receivable for fire and rescue fees are \$240,000 and \$15,000, respectively.

A.7.3 Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Amounts receivable from or payable to fiduciary funds are included in the Statement of Net Assets as receivable from and payable to external parties, not as internal balances. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

A.7.4 Prepaid Expenses

Prepaid assets are not recorded in the governmental funds; all amounts are expensed as paid.

A.7.5 Deferred Charges

Deferred charges in the governmental financial statements consist of bond issuance costs that are amortized over the life of the bond issue.

A.7.6 Capital Assets

Capital assets, which include land, buildings, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are reported by the government with a useful life in excess of one year, an estimated cost of \$5,000 and an estimated useful life in excess of two years. An exception is the \$5,000 threshold for capital lease assets. The County capitalizes the cost of capital assets if purchased or constructed. Donations of capital assets are reported at fair value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset is expensed as incurred. Buildings and equipment are depreciated over their useful lives using the straight-line method. Land is not depreciated. Accumulated depreciation is reported as a contra-asset account and is included in the net book value of capital assets.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

GASB Statement No. 34 provides an extended period of deferral (until the fiscal year ending in 2007) before the County is required to record and depreciate infrastructure assets acquired before the implementation date becomes effective. This category is likely to be the largest asset class of the County. Historically, the financial statements have not reflected this asset or the depreciation expense for the systematic allocation of its consumption. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. GASB Statement No. 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (October 1, 2002).

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized for the fiscal year ending September 30, 2003.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	30 years
Buildings	50 years
Site Improvements	20 years
Equipment	5 to 15 years
Vehicles	5 years

Amortization expense for capital lease assets has been included in depreciation expense.

A.7.7 Other Assets

Other assets held are recorded and accounted for at cost.

A.7.8 Accounts Payable and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements. All payable and accrued liabilities from the enterprise funds are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

A.7.9 Long-term Obligations

The County reports long-term debt of governmental activities at face value in the government-wide statement of net assets. Long-term debt is not reported for governmental activities in the fund financial statements. Long-term debt and other obligations financed by the proprietary fund are reported as liabilities in both the government-wide and fund financial statements.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

A.7.10 *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

A.7.11 *Governmental Fund Balance Reserves*

The County reserves those portions of governmental fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure.

A.8 *Revenues and Expenditures and Expenses*

A.8.1 *Property Tax Revenues*

Property taxes are generally levied on October 20 based on the assessed value of property as listed on the previous January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Assessed values are an approximation of market value. Revaluation of real property must be made when the average assessed value falls below 40% of the sales price on property sold within the previous year. The last valuation date was January 1, 2002, for residential property and January 1, 1998, for all other real property. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible and delinquent accounts.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1, 2003
Levy date	December 2, 2003
Due date	February 2, 2004
Delinquency date	February 3, 2004

A.8.2 *Interfund Transactions*

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

A.8.3 *Payments Between the County and Component Units*

Resource flows (except those that effect the statement of net assets/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions - that is, as revenues and expenses. Payments from the County consist of funds necessary to sustain the operations of the component unit.

A.9 *Estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE B - RESTATEMENTS OF PRIOR YEAR BALANCES

Fund Reclassifications

Dental and Disability Internal Service Fund. In the prior year, this fund was used to account for contributions to the County's dental and disability insurance programs. Effective October 1, 2002, the fund was closed and all operations are now charged directly to the appropriate department or fund.

Restatements of Equity

The impact of the restatements on the fund balances/net assets as previously reported is as follows:

	<u>General Fund</u>	<u>Internal Service Fund</u>	<u>Enterprise Fund</u>
Net assets at September 30, 2002, as previously reported	\$ 3,034,965 ✓	\$ 12,268 ✓	\$(519,896) ✓
Fund reclassification:			
Internal Service Fund	12,268	(12,268)	--
Contributed capital combined with net assets	--	--	1,113,134
Net assets at September 30, 2002, as restated	\$ 3,047,233 ✓	\$ -- ✓	\$ 593,238 ✓

NOTE C - CASH AND INVESTMENTS

Primary Government

The cash and investments of the County were not fully collateralized at September 30, 2003. The following schedules classify the cash and investments into three categories to give an indication of the level of risk assumed by the County at year end. Category 1 includes cash and investments insured or collateralized with securities held by the County or by its agent in the County's name. Category 2 includes cash and investments collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. Category 3 includes uninsured and uncollateralized cash and investments of the County.

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

Deposits with Financial Institutions

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$ 949,355	\$ 955,147
Category 2	3,553,018	4,027,461
Category 3	<u>12,959,790</u>	<u>17,300,815</u>
Total deposits with financial institutions	<u>\$17,462,163</u>	<u>\$22,283,423</u>

The deposits of the County are included in the following classifications at September 30, 2003.

Primary government:	
Cash and cash equivalents	\$14,416,976
Restricted cash	135,940 ✓
Agency funds:	
Cash	<u>2,909,247</u> ✓
Total deposits with financial institutions	<u>\$17,462,163</u>

Component Unit

Walker County Health Department. The Health Department's cash and cash equivalents are considered to be demand deposits. All deposits were entirely insured or collateralized as of June 30, 2003.

At June 30, 2003, cash consisted of the following:

Cash and cash equivalents	\$252,595 ✓
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NOTE D - INTERFUND BALANCES AND ACTIVITY

Balances Due To/From Other Funds

Summary of balances due to/from other funds reported in the fund financial statements:

Due to:	
General fund from Fire and Rescue fund	\$ 201,810
General fund from Landfill fund	402,326
General fund from SPLOST 2003	211,332
General fund from Nonmajor governmental funds	306,603
General fund from Fiduciary funds	728,971
Fire and Rescue fund from Fiduciary funds	219,027
SPLOST 3 fund from General fund	223,115
Nonmajor governmental funds from General fund	<u>14,893</u>
Total	<u>\$ 2,308,077</u>
Due from:	
Other funds, Balance Sheet - Governmental Funds	\$ 2,308,077
Due to:	
Other funds, Statement of Net Assets - Proprietary Fund	(402,326)
Other funds, Statement of Fiduciary Net Assets - Fiduciary Funds	<u>(948,345)</u>
Total	<u>\$ 957,406</u>

Interfund balances are created mainly from the general fund's payment of invoices on behalf of other funds.

Transfers To/From Other Funds

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

Transfers to/from other funds at September 30, 2003, consist of the following:

From the General fund to the E911 fund for sustaining difference	\$ 238,330
From the General fund to the Childrens' Shelter for work completed by the Road Department.	<u>63,293</u>
Total	<u>\$ 301,623</u>

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2003, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 370,443	\$ --	\$ --	\$ 370,443
Construction in progress	<u>546,301</u>	<u>551,562</u>	<u>529,517</u>	<u>568,346</u>
Total capital assets not being depreciated	<u>916,744</u>	<u>551,562</u>	<u>529,517</u>	<u>938,789</u>
Capital assets being depreciated:				
Infrastructure	--	1,194,240	--	1,194,240
Buildings and improvements	14,682,993	540,440	--	15,223,433
Equipment	557,098	555,248	--	1,112,346
Vehicles	6,205,896	2,292,319	--	8,498,215
Trucks and construction equipment	<u>2,015,857</u>	<u>127,700</u>	--	<u>2,143,557</u>
Total capital assets being depreciated	<u>23,461,844</u>	<u>4,709,947</u>	--	<u>28,171,791</u>
Less accumulated depreciation for:				
Infrastructure	--	19,904	--	19,904
Buildings and improvements	2,485,854	269,143	--	2,754,997
Equipment	64,416	104,629	--	169,045
Vehicles	2,527,450	779,367	--	3,306,817
Trucks and construction equipment	<u>992,620</u>	<u>212,921</u>	--	<u>1,205,541</u>
Total accumulated depreciation	<u>6,070,340</u>	<u>1,385,964</u>	--	<u>7,456,304</u>
Total capital assets being depreciated, net	<u>17,391,504</u>	<u>3,323,983</u>	--	<u>20,715,487</u>
Governmental activity capital assets, net	<u>\$18,308,248</u>	<u>\$ 3,875,545</u>	<u>\$ 529,517</u>	<u>\$21,654,276</u>
BUSINESS-TYPE ACTIVITIES:				
Landfill:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 3,525,993	\$ 490,612	\$ 4,016,605	\$ --
Total capital assets not being depreciated	<u>3,525,993</u>	<u>490,612</u>	<u>4,016,605</u>	<u>--</u>
Capital assets being depreciated and amortized:				
C & D Landfill	--	4,016,605	--	4,016,605
Buildings and improvements	300,653	--	--	300,653
Machinery and equipment	373,368	567	--	373,935
Capital lease assets	765,270	--	--	765,270
Vehicles	47,700	--	--	47,700
Software	--	108	--	108
Computers, radios, and electronics	--	3,172	--	3,172
Total capital assets being depreciated and amortized	<u>1,486,991</u>	<u>4,020,452</u>	--	<u>5,507,443</u>
Less accumulated depreciation and amortization for:				
C & D Landfill	--	33,739	--	33,739
Buildings and improvements	31,087	7,179	--	38,266
Machinery and equipment	238,125	58,998	--	297,123
Capital lease assets	108,945	105,195	--	214,140
Vehicles	26,471	8,467	--	34,938
Software	--	14	--	14
Computers, radios, and electronics	--	440	--	440
Total accumulated depreciation and amortization	<u>404,628</u>	<u>214,032</u>	--	<u>618,660</u>
Total capital assets being depreciated, net	<u>1,082,363</u>	<u>3,806,420</u>	--	<u>4,888,783</u>
Business-type activities capital assets, net	<u>\$ 4,608,356</u>	<u>\$ 4,297,032</u>	<u>\$ 4,016,605</u>	<u>\$ 4,888,783</u>

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
GOVERNMENTAL ACTIVITIES:				
Component Unit:				
Capital assets being depreciated	\$ 14,142	\$ --	\$ --	\$ 14,142
Machinery and equipment				
Total capital assets being depreciated	<u>14,142</u>	<u>--</u>	<u>--</u>	<u>14,412</u>
Less accumulated depreciation for:				
Machinery and equipment	5,051	2,020	--	7,071
Total accumulated depreciation	<u>5,051</u>	<u>2,020</u>	<u>--</u>	<u>7,071</u>
Governmental activities capital assets, net	<u>\$ 9,091</u>	<u>\$ (2,020)</u>	<u>\$ --</u>	<u>\$ 7,071</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 52,577
Judicial	40,144
Public safety	276,025
Public works	522,003
Health and welfare	314,274
Culture and recreation	179,132
Housing and development	<u>1,809</u>
	<u>\$ 1,385,264</u>

NOTE F - PENSION PLAN

Plan Description. Two hundred and sixty (260) of the County's full time employees are covered by the Pension Plan for Employees of the Walker County Commissioner and Sheriff's Department. This self-administered plan is a single employer, noncontributory, defined benefit plan established January 1, 1973, restated effective January 1, 1984 and amended effective December 31, 2000. Authority to establish, amend or discontinue the plan is assigned to Walker County. The plan is included in this report because the County has oversight responsibility as prescribed by the Governmental Accounting Standards Board. The plan does not issue separate financial statements but includes the financial statements and required supplementary information in the County's annual financial report. The plan provides retirement, disability and death benefits to all employees, and their beneficiaries, that have been employed full time for one year. Employees begin vesting after 3 years of service and are fully vested after 7 years. Members may retire at age 65 with 12 years of service or at age 60 with 20 years of service. Benefits are calculated at 1.10% of five years average earnings multiplied by credited service plus 0.65% of average compensation in excess of \$10,000 multiplied by service up to 35 years.

Funding Policy and Pension Cost. Contribution requirements are actuarially determined and may be amended by the County. Plan members are not allowed to contribute to the plan. The funding policy for the plan is to make annual contributions at least equal to the minimum contribution required for public retirement systems under Section 47-20-10 of the Official Code of Georgia Annotated. This minimum contribution is equal to the normal cost for the year plus annual payments to amortize increases (decreases) in the unfunded actuarial accrued liability over various prescribed periods. The normal cost for the County's Plan for 2003 has increased as a percentage of covered payroll from 8.93% in 2002 to 9.50% in 2003. The unfunded actuarial accrued liability is amortized over 30 years from 1/1/92. These amortization periods, if applicable, are closed for this plan year.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

The contributions to the plan during the year ended December 31, 2002, were \$549,758 and were made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2003, (the most recent actuarial valuation date). The County's covered payroll for the plan year ended January 1, 2003, was \$6,198,617 and the total payroll was \$8,167,529.

Summary of Significant Accounting Policies. The plan's financial statements are prepared on the accrual basis of accounting. Contributions from the County are recognized when due and the County has made a formal commitment to provide the contributions. Investment income is recognized as earned by the plan. The net appreciation (depreciation) in the fair value of investments held by the plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the balance sheet. All funds are invested in accordance with state statute and are valued at fair value. There are no investments in, loans to, or leases with parties related to the pension plan.

Funded Status. GASB No. 27 requires disclosure of the County's annual pension cost, percentage of annual percentage cost contributed and net pension obligation for the most recent three years.

Three-Year Trend Information

Year Ending	Employer Annual Pension Cost (APC)	Annual Contribution	Percentage of APC Contributed	Net (EOY) Pension Obligation
December 31, 2000	\$522,290	\$560,921	107.4%	--
December 31, 2001	475,741	551,981	116.0	--
December 31, 2002	548,884	549,758	100.0	--

Schedule of Funding Progress

Actuarial Valuation for Plan Year Beginning January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability Frozen Entry Age Cost Method (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as % of Covered Payroll (b-a/c)
2001	\$3,325,964	\$3,975,028	\$649,064	83.7%	\$4,794,350	13.5%
2002	3,486,682	4,059,602	572,920	85.9	5,691,074	10.1
2003	3,952,757	4,232,747	279,990	93.4	6,198,617	4.5

Significant Actuarial Assumptions. The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution to the plans meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices.

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

The significant actuarial assumptions used in the current valuation are:

Rate of return on investment	7.0%
Projected salary and inflation increases	4.0%
Actuarial methods:	
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Asset valuation method	Market value
Valuation cost method	Frozen entry age with normal cost expressed as a percentage of covered payroll.

Actuarial assumptions are the same as those used in the preceding year except for projected salary increases which decreased from 5.0% in 2002 to 4.0% in 2003.

Plan Membership Data. As of January 1, 2003, the current plan membership includes the following categories of participants.

Plan Participants:	
Retirees and beneficiaries currently receiving benefits	8
Terminated employees entitled to benefits but not yet receiving them	42
Active participants	<u>210</u>
Total	<u>260</u>

Investments

The investments in the pension plan are held by the Lincoln Financial Group and invested in compliance with the pension document.

Summary of Investments as of January 1, 2003

	<u>Fair Value</u>	<u>% of Total</u>
Lincoln Financial Group:		
Guaranteed fixed income account	\$ 3,456,723	87.45%
Balanced account	483,594	12.23
International equity account	<u>12,440</u>	<u>0.32</u>
Total	<u>\$ 3,952,757</u> ✓	<u>100.00%</u>

NOTE G - SHORT-TERM DEBT

Receipts for fiscal year ended 2003 were below expected amounts, thus the County entered into an agreement with the bank to borrow up to \$600,000 on a line of credit in order to pay operating expenses. The County borrowed \$375,000 at a rate of 3.00% which will be repaid with property tax revenues prior to the maturity date of December 31, 2003. The unused portion of the line of credit agreement at September 30, 2003 is \$225,000.

Changes in short-term obligations for the year ended September 30, 2003, are as follows:

	<u>October 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2003</u>
Line of credit agreement	\$ -- ✓	\$ 375,000	\$ --	\$ 375,000 ✓

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

NOTE H - LONG-TERM DEBT

Long-term Obligation Activity

The following is a summary of the County's long-term debt transactions for the year ended September 30, 2003.

	Balance October 1, 2002	Additions	Reductions	Balance September 30, 2003	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Capital leases	\$ 8,839,835	\$ 2,705,468	\$ 3,245,002	\$ 8,300,301	\$ 1,124,962
Bonds payable	2,100,000	17,738,303	2,100,000	17,738,303	1,690,000
Compensated absences	448,390	66,467	--	514,857	468,721
	<u>\$11,388,225</u>	<u>\$20,510,238</u>	<u>\$ 5,345,002</u>	<u>\$26,553,461</u>	<u>\$ 3,283,683</u>
BUSINESS-TYPE ACTIVITIES					
Landfill:					
Capital leases	\$ 1,090,208	\$ --	\$ 200,169	\$ 890,039	\$ 209,045
Landfill closure/ postclosure costs	2,862,377	53,067	--	2,915,444	101,480
	<u>\$ 3,952,585</u>	<u>\$ 53,067</u>	<u>\$ 200,169</u>	<u>\$ 3,805,483</u>	<u>\$ 310,525</u>

Compensated absences typically have been liquidated in the general and other governmental funds. The capital lease debt is paid by the fund leasing the corresponding assets. The bonds payable will be paid by the 2003 Special Purpose Local Option Sales Tax. Landfill closure/postclosure costs typically have been liquidated in the landfill proprietary fund.

Debt Service Requirements

Debt service requirements on bonds payable at September 30, 2003, are as follows:

Year ending September 30,	Governmental Activities	
	Bonds	
	Principal	Interest
2004	\$ 1,727,325	\$ 383,495
2005	3,817,491	400,819
2006	3,929,921	308,213
2007	4,057,682	205,019
2008	4,205,884	90,156
	<u>\$17,738,303</u>	<u>\$ 1,387,702</u>

The County issued \$17,355,000 in general obligation sales tax bonds, series 2003, on September 30, 2003, for capital outlay projects outlined in the special purpose local option sales tax referendum. The interest rate on the bonds range from 2.0% to 4.0% with principal payments due in amounts ranging from \$1,690,000 to \$2,095,000. Principal payments are due beginning July 2004 and maturing in July 2008. Interest and principal payments are due semi-annually. The bonds are payable from proceeds of the 2003 special purpose local option sales tax referendum.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

Capital Leases

The County leases buildings and equipment with a historical cost and accumulated amortization under capital lease arrangements as follows:

	Governmental Activities	Business-type Activities	
		Landfill	Total
Buildings	\$ 3,562,705	\$ --	\$ 3,562,705
Vehicles and equipment	6,960,982	765,270	7,726,252
Total capital lease assets	10,523,687	765,270	11,288,957
Accumulated amortization	2,411,149	214,140	2,625,289
Capital lease assets, net	<u>\$ 8,112,538</u>	<u>\$ 551,130</u>	<u>\$ 8,663,668</u>

Future minimum lease payments at September 30, 2003, are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	
		Landfill	
2004	\$ 1,411,419	\$ 245,773	
2005	1,198,174	245,773	
2006	1,181,308	245,773	
2007	1,031,093	246,518	
2008	1,012,868	--	
2009-2013	4,811,411	--	
Total minimum lease payments	10,646,273	983,837	
Less: Deferred interest	(2,345,972)	(93,798)	
Present value minimum lease payments	<u>\$ 8,300,301</u>	<u>\$ 890,039</u>	

The interest rates on the capitalized leases range from 4.06% to 9.31% and are imputed based on the County's incremental borrowing rate at the inception of the lease.

NOTE I - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

I.1 *Compliance with Finance Related Legal and Contractual Provisions*

The County incurred no material violations of finance related legal and contractual provisions.

I.2 *Excess of Expenditures Over Appropriations in Individual Funds*

For the year ended September 30, 2003, the County had no material excess of expenditures over appropriations in individual funds.

NOTE J - RISK MANAGEMENT

Walker County, Georgia, is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Being unable to obtain general liability and workers' compensation insurance at a cost it considered to be economically justifiable, the County joined together with other counties in the State in participation in the Association of County Commissioners of Georgia - Inter Local Risk Management Agency and the Group Self-Insured Workers' Compensation Fund. These are public entity risk pools currently operating as a common risk management

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
(Continued)

and insurance program for many of the counties in the State. The County pays an annual premium to the funds for general liability and workers' compensation insurance coverage. The agreement between the members of the public entity risk pools provides that members may be required to pay additional assessments as shall be established by the Board of the pool. However, no additional assessments have been required of the members since formation of the pools.

The County is obligated 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 which could result in the funds being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member governments' contracts and in accordance with the workers' compensation laws of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgement, and all expenses incurred for investigation, negotiation or defense.

The County continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE K - CLAIMS AND JUDGMENTS

The County participates in a number of federal, state, and county programs that are full or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of September 30, 2003, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the County.

NOTE L - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Walker County currently owns and operates a solid waste landfill and a construction and demolition disposal area. State and federal laws and regulations require the County to close the landfills once capacity is reached and to monitor and maintain the site for thirty subsequent years. Although certain closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

At September 30, 2003, the County had incurred a liability of approximately \$16,004 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately .84 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$1,889,290 which will be recognized as the remaining capacity is used (estimated to be approximately 17 years).

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

The estimated costs of closure and postclosure care, as determined by the Georgia Environmental Protection Division, are subject to changes including the effects of inflation, revision of laws, changes in technology, actual sequence of landfill development and closure, and other variables.

The County also owns a solid waste landfill which discontinued operations in June 1998. The solid waste is accepted at a transfer station and transported to a location out of the County by an outside contractor. The landfill will continue to incur costs associated with the closing of the landfill in order to comply with EPA requirements. In addition, the County will be required to monitor various wells for a period of time. At September 30, 2003, a liability for closure and postclosure care costs is recorded in the amount of \$2,899,440, which is based on engineering reports, for completing the closure of the landfill and maintaining the landfill site in future years. However, management's estimate of postclosure costs is contingent upon its ability to satisfy EPA requirements, and costs could be significantly higher if full compliance is not achieved. These costs will be met with future County revenues.

NOTE M - JOINT VENTURE

Walker County is a member of the Coosa Valley Regional Development Center (RDC). The RDC was created under the laws of the State of Georgia. Cities and Counties in the area served by the RDC are required to be members. The membership of the RDC includes 10 counties and 35 municipalities. The County has no equity interest in the RDC nor does the County materially contribute to the continued existence of the RDC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RDC ceases operation, the membership can be assessed for any debt or obligation of the RDC. Separate financial statements may be obtained from Coosa Valley Regional Development Center, P. O. Box 1793, Rome, Georgia 30162.

NOTE N - SEGMENT INFORMATION FOR ENTERPRISE FUND

The County maintains a landfill enterprise fund that provides waste disposal services. Summary financial information for the landfill is presented below.

Condensed Statement of Net Assets

ASSETS	
Current assets	
Restricted assets	\$ 125,197
Capital assets	4,366
	<u>4,888,783</u>
TOTAL ASSETS	<u>5,018,346</u>
LIABILITIES	
Current liabilities	
Due to other funds	310,525
Noncurrent liabilities	402,326
	<u>3,494,958</u>
TOTAL LIABILITIES	<u>4,207,809</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,083,300
Unrestricted net assets	<u>(272,763)</u>
TOTAL NET ASSETS	<u>\$ 810,537</u>

WALKER COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

Landfill usage fees	\$ 1,304,375
Depreciation expense	(214,033)
Other operating expenses	<u>(1,236,074)</u>
Operating income (loss)	<u>(145,732)</u>
Nonoperating revenues (expenses)	
Interest revenues	487
Miscellaneous	134
Interest expense	<u>(45,604)</u>
Total nonoperating revenues (expenses)	<u>(44,983)</u>
Net income (loss) before contributions	(190,715)
Capital contributions	<u>408,014</u>
Change in net assets	217,299
Beginning net assets	593,238
Ending net assets	<u>\$ 810,537</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 8,494
Noncapital financing activities	134
Capital and related financing activities	<u>(332,218)</u>
Investing activities	487
Net increase (decrease)	<u>(323,103)</u>
Beginning cash and cash equivalents	327,887
Ending cash and cash equivalents	<u>\$ 4,784</u>

REQUIRED SUPPLEMENTARY INFORMATION

Classic Land

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 September 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 3,468,914	\$ 3,636,192	\$ 3,636,192	\$ --
Other taxes	5,675,000	6,091,364	6,091,364	--
Licenses and permits	75,100	62,776	62,776	--
Intergovernmental	1,980,663	1,426,271	1,426,271	--
Charges for services	456,000	645,265	645,265	--
Fines and forfeitures	1,505,500	1,632,088	1,632,088	--
Investment income	30,000	14,904	14,904	--
Contributions and donations	--	24,150	24,150	--
Miscellaneous	1,236,634	1,251,351	1,251,351	--
Total revenues	14,431,811	14,784,361	14,784,361	--
EXPENDITURES				
Current:				
General government:				
Governing body	626,180	938,694	938,694	--
Elections	120,833	209,498	209,498	--
Accounting	268,468	117,306	117,306	--
Licensing	7,200	8,775	8,775	--
Data processing	53,430	57,629	57,629	--
Tax commissioners	500,352	506,090	506,090	--
Tax assessor	457,509	480,417	480,417	--
Board of equalization	5,800	12,377	12,377	--
General government buildings and plant	351,400	540,147	540,147	--
Records management	78,375	66,361	66,361	--
General administration fees	13,400	45,522	45,522	--
Special projects	40,890	92,570	92,570	--
Judicial				
Clerk of courts	482,179	531,658	531,658	--
Superior court	290,789	384,632	384,632	--
District attorney	499,128	560,966	560,966	--
State court	130,797	136,504	136,504	--
State court solicitor	149,084	133,214	133,214	--
Magistrate court	241,589	244,779	244,779	--
Probate court	165,463	168,739	168,739	--
Juvenile court	203,432	201,406	201,406	--
Grand jury	550	518	518	--
Court reporter	57,940	64,174	64,174	--
Bailiff	6,000	11,293	11,293	--
Sheriff				
Law enforcement administration	327,635	353,065	353,065	--
Criminal investigation	686,253	529,068	529,068	--
Vice control	159,454	223,485	223,485	--
Patrol	1,454,298	1,406,818	1,406,818	--
Custody of prisoners	1,418,194	1,683,008	1,683,008	--
INRS program	186,756	170,735	170,735	--
Traffic control	134,034	--	--	--
Training	67,963	21,301	21,301	--
Special detail services	4,500	10,983	10,983	--
Sheriff's office and building	85,000	84,786	84,786	--
Court services	684,128	584,715	584,715	--
Adult probation and parole	14,847	15,800	15,800	--
Public Safety				
County police	250,640	298,281	298,281	--
Coroner/medical examiner	50,154	52,437	52,437	--
Animal control	91,540	105,408	105,408	--
Emergency management	--	403	403	--

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 September 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Works				
Highways and streets administration	\$ 197,480	\$ 292,967	\$ 292,967	\$ --
Paved street	682,874	(1,654,411)	(1,654,411)	--
Other maintenance	833,192	728,985	728,985	--
Bridges, viaducts, and grade separations	20,000	--	--	--
Traffic engineering	117,485	92,452	92,452	--
Maintenance and shop	391,558	590,792	590,792	--
Health and Welfare				
Health	274,653	280,545	280,545	--
Mosquito control	6,100	19,088	19,088	--
Ambulance services	160,000	118,653	118,653	--
Indigent medical care	1,000	--	--	--
Welfare	52,000	68,900	68,900	--
Other welfare assistance	13,400	20,544	20,544	--
Vendor welfare payments	12,300	21,531	21,531	--
Meals on wheels	18,700	51,749	51,749	--
Senior citizens center	150,168	176,323	176,323	--
Transportation services	137,500	553,971	553,971	--
Culture/Recreation				
Special recreational facilities	18,710	16,766	16,766	--
Library administration	129,000	129,000	129,000	--
Housing and Development				
County agent	75,330	60,654	60,654	--
Forest resources	6,252	9,197	9,197	--
Planning and zoning	121,444	141,243	141,243	--
Quality growth	--	45,962	45,962	--
Soil erosion/environmental	--	54,696	54,696	--
Economic development	77,300	91,656	91,656	--
Debt Service:				
Principal Payments	335,000	376,710	376,710	--
Interest	--	177,527	177,527	--
Total expenditures	<u>14,250,830</u>	<u>13,579,062</u>	<u>13,579,062</u>	--
Excess revenues over (under) expenditures	<u>180,981</u>	<u>1,205,299</u>	<u>1,205,299</u>	--
OTHER FINANCING SOURCES (USES)				
Transfers out	(200,981)	(301,623)	(301,623)	--
Sale of capital asset	20,000	78,562	78,562	--
Total other financing uses	<u>(180,981)</u>	<u>(223,061)</u>	<u>(223,061)</u>	--
Excess of revenues and other sources over (under) expenditures and other uses	--	982,238	982,238	--
Fund balance - beginning	<u>3,048,289</u>	<u>3,047,233</u>	<u>3,047,233</u>	--
Fund balance - ending	<u>\$ 3,048,289</u>	<u>\$ 4,029,471</u>	<u>\$ 4,029,471</u>	\$ --

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 FIRE & RESCUE FUND
 September 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ --	\$ 36,900	\$ 36,900	\$ --
Charges for Services	1,490,550	1,602,189	1,602,189	--
Investment Income	2,600	6,892	6,892	--
Miscellaneous	--	174	174	--
Total revenues	<u>1,483,150</u>	<u>1,646,155</u>	<u>1,646,155</u>	--
EXPENDITURES				
Current:				
Public Safety	1,127,477	3,886,166	3,886,166	--
Debt Service:				
Principal Retirement	328,000	2,727,591	2,727,591	--
Interest	--	185,825	185,825	--
Total expenditures	<u>1,455,477</u>	<u>6,799,582</u>	<u>6,799,582</u>	--
Excess revenues over (under) expenditures	<u>27,673</u>	<u>(5,153,427)</u>	<u>(5,153,427)</u>	--
OTHER FINANCING SOURCES (USES)				
Capital leases	--	5,171,002	5,171,002	--
Sale of capital asset	--	2,550	2,550	--
Total other financing sources	<u>--</u>	<u>5,173,552</u>	<u>5,173,552</u>	--
Excess of revenues and other sources over (under) expenditures and other uses	27,673	20,125	20,125	--
Fund balance - beginning	(882)	(882)	(882)	--
Fund balance - ending	<u>\$ 26,791</u>	<u>\$ 19,243</u>	<u>\$ 19,243</u>	\$ --

WALKER COUNTY, GEORGIA
 DEFINED BENEFIT PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN
 September 30, 2003

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (a) + (b)	Unfunded* AAL (UAAL) (b)	Funded Ratio a/(a+b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b/c)
01/01/94	\$1,209,416	\$1,877,752	\$668,336	64.4%	\$3,586,867	18.6%
01/01/95	1,275,118	2,094,519	819,401	60.9%	3,642,240	22.5%
01/01/96	1,709,812	2,414,420	704,608	70.8%	4,160,648	16.9%
01/01/97	1,658,778	2,329,076	670,298	71.2%	4,483,955	14.9%
01/01/98	1,742,773	2,433,323	690,550	71.6%	4,647,077	14.9%
01/01/99	2,309,409	2,902,921	593,512	79.6%	5,042,778	11.8%
01/01/00	2,867,526	3,553,479	685,953	80.7%	5,028,457	13.6%
01/01/01	3,325,964	3,975,028	649,064	83.7%	4,794,350	13.5%
01/01/02	3,486,682	4,059,602	572,920	85.9%	5,691,074	10.1%
01/01/03	3,952,757	4,232,747	279,990	93.4%	6,198,617	4.5%

All annual contributions presented in these required supplementary schedules were determined as part of the actuarial valuations at the dates indicated.

*Unfunded frozen actuarial liability was reestablished as of January 1, 1992.

WALKER COUNTY, GEORGIA
 DEFINED BENEFIT PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - RETIREMENT PLAN
 September 30, 2003

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
01/01/94	\$221,839	\$365,238	164.6%
01/01/95	260,782	250,000	95.9
01/01/96	290,635	394,849	135.9
01/01/97	340,351	414,841	121.9
01/01/98	393,430	418,901	106.5
01/01/99	440,693	532,518	120.8
01/01/00	448,758	469,203	104.6
01/01/01	522,290	560,921	107.4
01/01/02	475,741	551,981	116.3
01/01/03	548,884	549,758	100.0

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated.

Additional information as of the latest actuarial valuation follows:

Valuation date	1/1/2003
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
Projected rate of inflation	5.0%

WALKER COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2003

NOTE A - BUDGETARY BASIS OF ACCOUNTING

The County adopted a budget on the same basis of accounting as that used to reflect actual revenues and expenditures in the fund financial statements.

NOTE B - CHANGES IN ACTUARIAL INFORMATION

As a result of the January 1, 2003, actuarial valuation, the salary increase assumption was lowered from 5.0% to 4.0% per year. All other assumptions and methods remain unchanged.

SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2003

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 378,946	\$ 13,766	\$ 392,712
Accounts receivable	88,563	48,658	137,221
Due from other funds	--	14,893	14,893
Due from other governments	<u>78,549</u>	<u>27,000</u>	<u>105,549</u>
TOTAL ASSETS	\$ <u>546,058</u>	\$ <u>104,317</u>	\$ <u>650,375</u> ✓
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ --	\$ 86,178	\$ 86,178
Due to other funds	306,603	--	306,603
Deferred revenue	<u>200,245</u>	<u>--</u>	<u>200,245</u>
TOTAL LIABILITIES	<u>506,848</u>	<u>86,178</u>	<u>593,026</u> ✓
FUND BALANCES			
Unreserved, reported in:			
Special revenue funds	\$ 39,210	\$ --	\$ 39,210
Capital projects funds	<u>--</u>	<u>18,139</u>	<u>18,139</u>
TOTAL FUND BALANCES	<u>39,210</u>	<u>18,139</u>	<u>57,349</u> ✓
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>546,058</u>	\$ <u>104,317</u>	\$ <u>650,375</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2003

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental revenue	\$ 466,855	\$ 468,391	\$ 935,246
Charges for services	720,246	--	720,246
Fines and forfeitures	50,003	--	50,003
Investment earnings	384	--	384
Donations	10,505	49,517	60,022
Miscellaneous	<u>1,001</u>	<u>--</u>	<u>1,001</u>
Total	<u>1,248,994</u>	<u>517,908</u>	<u>1,766,902</u> ✓
EXPENDITURES			
CURRENT			
Judicial	41,775	--	41,775
Public safety	833,846	--	833,846
Health and welfare	500,673	563,062	1,063,735
DEBT SERVICE			
Principal	140,701	--	140,701
Interest	<u>11,771</u>	<u>--</u>	<u>11,771</u>
Total	<u>1,528,766</u>	<u>563,062</u>	<u>2,091,828</u> ✓
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(279,772)	(45,154)	(324,926) ✓
OTHER FINANCING SOURCES (USES)			
Transfers in	238,330	63,293	301,623
Proceeds from capital leases	<u>26,741</u>	<u>--</u>	<u>26,741</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>265,071</u>	<u>63,293</u>	<u>328,364</u> ✓
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(14,701)	18,139	3,438 ✓
FUND BALANCES - BEGINNING	<u>53,911</u>	<u>--</u>	<u>53,911</u> ✓
FUND BALANCES - ENDING	\$ <u>39,210</u>	\$ <u>18,139</u>	\$ <u>57,349</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2003

	<u>911</u>	<u>Law Library</u>	<u>Court Supervision</u>	<u>Greenspace Grant</u>	<u>Connection</u>	<u>Total</u>
ASSETS						
Cash	\$ 2,607	\$ 6,281	\$ 31,464	\$ 199,461	\$ 139,133	\$ 378,946
Accounts receivable	88,497	66	--	--	--	88,563
Due from other governments	--	--	--	--	78,549	78,549
TOTAL ASSETS	<u>\$ 91,104</u>	<u>\$ 6,347</u>	<u>\$ 31,464</u>	<u>\$ 199,461</u>	<u>\$ 217,682</u>	<u>\$ 546,058</u> ✓
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ 90,030	\$ --	\$ --	\$ 290	\$ 216,283	\$ 306,603
Deferred revenue	1,074	--	--	199,171	--	200,245
TOTAL LIABILITIES	<u>91,104</u>	<u>--</u>	<u>--</u>	<u>199,461</u>	<u>216,283</u>	<u>506,848</u> ✓
FUND BALANCES						
Unreserved, reported in:						
Special revenue funds	--	6,347	31,464	--	1,399	39,210
TOTAL FUND BALANCES	<u>--</u>	<u>6,347</u>	<u>31,464</u>	<u>--</u>	<u>1,399</u>	<u>39,210</u> ✓
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 91,104</u>	<u>\$ 6,347</u>	<u>\$ 31,464</u>	<u>\$ 199,461</u>	<u>\$ 217,682</u>	<u>\$ 546,058</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2003

	911	Law Library	Court Supervision	Greenspace Grant	Connection	Total
REVENUES						
Intergovernmental revenue	\$ --	\$ --	\$ --	\$ --	\$ 466,855	\$ 466,855
Charges for services	720,246	--	--	--	--	720,246
Fines and forfeitures	--	42,153	7,850	--	--	50,003
Investment earnings	--	161	223	--	--	384
Donations	--	--	--	--	10,505	10,505
Miscellaneous	1,001	--	--	--	--	1,001
Total	<u>721,247</u>	<u>42,314</u>	<u>8,073</u>	<u>--</u>	<u>477,360</u>	<u>1,248,994</u> ✓
EXPENDITURES						
CURRENT						
Judicial	--	38,875	2,900	--	--	41,775
Public safety	833,846	--	--	--	--	833,846
Health and welfare	--	--	--	--	500,673	500,673
DEBT SERVICE						
Principal	140,701	--	--	--	--	140,701
Interest	11,771	--	--	--	--	11,771
Total	<u>986,318</u>	<u>38,875</u>	<u>2,900</u>	<u>--</u>	<u>500,673</u>	<u>1,528,766</u> ✓
Excess of revenues over (under) expenditures	(265,071)	3,439	5,173	--	(23,313)	(279,772) ✓
Other financing sources (uses):						
Transfers in	238,330	--	--	--	--	238,330
Proceeds from capital leases	26,741	--	--	--	--	26,741
Total other financing sources (uses)	<u>265,071</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>265,071</u> ✓
Excess of revenues and other sources over (under) expenditures and other uses	--	3,439	5,173	--	(23,313)	(14,701) ✓
Fund balances - beginning	--	2,908	26,291	--	24,712	53,911 ✓
Fund balances - ending	\$ --	\$ 6,347	\$ 31,464	\$ --	\$ 1,399	\$ 39,210 ✓

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 September 30, 2003

	<u>Childrens' Shelter</u>	<u>Senior Center</u>	<u>Total</u>
ASSETS			
Cash	\$ 3,792	\$ 9,974	\$ 13,766
Accounts receivable	48,658	--	48,658
Due from other funds	--	14,893	14,893
Due from other governments	<u>27,000</u>	<u>--</u>	<u>27,000</u>
TOTAL ASSETS	\$ <u>79,450</u>	\$ <u>24,867</u>	\$ <u>104,317</u> ✓
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ <u>76,204</u>	\$ <u>9,974</u>	\$ <u>86,178</u>
TOTAL LIABILITIES	<u>76,204</u>	<u>9,974</u>	<u>86,178</u>
FUND BALANCES			
Unreserved, reported in:			
Capital projects funds	<u>3,246</u>	<u>14,893</u>	<u>18,139</u>
TOTAL FUND BALANCES	<u>3,246</u>	<u>14,893</u>	<u>18,139</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>79,450</u>	\$ <u>24,867</u>	\$ <u>104,317</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Year Ended September 30, 2003

	<u>Childrens' Shelter</u>	<u>Senior Center</u>	<u>Total</u>
REVENUES			
Intergovernmental revenue	\$ 468,391	\$ --	\$ 468,391
Donations	<u>48,658</u>	<u>859</u>	<u>49,517</u>
Total	<u>517,049</u>	<u>859</u>	<u>517,908</u> ✓
EXPENDITURES			
CURRENT			
Health and welfare	<u>577,096</u>	(14,034)	<u>563,062</u>
Total	<u>577,096</u>	(14,034)	<u>563,062</u> ✓
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,047)	14,893	(45,154) ✓
OTHER FINANCING SOURCES			
Transfers in	<u>63,293</u>	<u>--</u>	<u>63,293</u> ✓
TOTAL OTHER FINANCING SOURCES	<u>63,293</u>	<u>--</u>	<u>63,293</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
Fund balances - beginning	3,246	14,893	18,139 ✓
	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances - ending	<u>\$ 3,246</u>	<u>\$ 14,893</u>	<u>\$ 18,139</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 September 30, 2003

	<u>Tax Commissioner</u>	<u>Clerk of Courts</u>	<u>Probate Judge</u>	<u>Magistrate Judge</u>	<u>SPLOST 2</u>	<u>Total</u>
ASSETS						
Cash	\$ 1,265,814	\$ 1,004,531	\$ 79,088	\$ 26,718	\$ 533,096	\$ 2,909,247
Receivables:						
Taxes	2,516,096	--	--	--	--	2,516,096
Accounts	<u>1,467,291</u>	--	--	--	--	<u>1,467,291</u>
TOTAL ASSETS	<u>5,249,201</u>	<u>1,004,531</u>	<u>79,088</u>	<u>26,718</u>	<u>533,096</u>	<u>6,892,634</u> ✓
LIABILITIES						
Accounts payable	--	468,336	--	--	533,096	1,001,432
Due to other governments	1,004,778	244,657	--	14,432	--	1,263,867
Due to other funds	641,200	291,538	3,321	12,286	--	948,345
Due to heirs, litigants, and others	--	--	75,767	--	--	75,767
Deferred revenue	<u>3,603,223</u>	--	--	--	--	<u>3,603,223</u>
TOTAL LIABILITIES	<u>5,249,201</u>	<u>1,004,531</u>	<u>79,088</u>	<u>26,718</u>	<u>533,096</u>	<u>6,892,634</u> ✓
NET ASSETS	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WALKER COUNTY, GEORGIA
 STATEMENT OF REVENUES AND EXPENDITURES TO BUDGET
 FAMILY CONNECTION PROGRAM
 CONTRACT 93-35160

CONTRACT PERIOD: JULY 1, 2002 - JUNE 30, 2003

<u>Expense Type</u>	<u>Family Connection Budget</u>	<u>Contract Expenditures</u>	<u>(Over)/Under Budget</u>
Personal services	\$ 30,783	\$ 30,684	\$ 99
Regular operating	6,500	6,564	(64)
Travel - staff	5,500	5,514	(14)
Per diem, fees, and contracts	1,500	1,500	--
Telecommunications	1,717	1,542	175
Other support to customers	<u>4,000</u>	<u>4,196</u>	<u>(196)</u>
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA
 GEORGIA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
 SENIOR CENTER
 00P-Z-146-1-2399
 For the Year Ended September 30, 2003

SOURCE AND APPLICATION OF FUNDS SCHEDULE

Total program funds allocated to recipient	\$500,000
Less - Total program funds drawn by recipient	<u>500,000</u>
Funds still available for program resources	\$ <u> --</u>
Total program funds drawn and received by recipient	\$500,000
Less - Funds applied and expended for program costs	<u>500,000</u>
Total program funds held by (due to) recipient	\$ <u> --</u>

PROJECT COST SCHEDULE

<u>Program Activity</u>	<u>Activity Number</u>	Latest Approved Revised Budget	Expenditures of CDBG Funds to 9/30/03
Construction	P-03A-00	\$476,000	\$476,000
Administration	A-21A-00	<u>24,000</u>	<u>24,000</u>
		<u>\$500,000</u>	<u>\$500,000</u>

DEKALB COUNTY, GEORGIA
 GEORGIA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
 CHILDRENS' EMERGENCY CENTER
 514-144-1-2521
 For the Year Ended September 30, 1993

SOURCE AND APPLICATION OF FUNDS SCHEDULE

Total program funds allocated to recipient	\$500,000
Less - Total program funds drawn by recipient	<u>500,000</u>
Funds still available for program resources	\$ <u> </u>
Total program funds drawn and received by recipient	\$473,999
Less - Funds applied and expended for program costs	<u>500,000</u>
Total program funds held by (due to) recipient	<u>\$ (27,000)</u>

PROJECT COST SCHEDULE

Program Activity	Activity Number	Latest Approved Budget	Expenditures of CDBG Funds to 9/30/93
Abused and neglected Childrens' Facilities	P-010-00	\$449,883	\$449,883
Administration	A-218-00	26,000	26,000
Contingencies	C-022-00	<u>24,117</u>	<u>24,117</u>
		\$500,000	\$500,000

COMPLIANCE

Classic Print

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Commissioner
Walker County, Georgia
LaFayette, Georgia 30728

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2003, which except for the component unit audited by other auditors, collectively comprise the Walker County, Georgia, basic financial statements and have issued our report thereon dated January 13, 2004. As described in Note A to the basic financial statements, the County adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, effective September 30, 2003. 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.

We did not audit the financial statements of the component unit, the Walker County Health Department. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Walker County Health Department in the component unit column is based on the report of other auditors.

Compliance

As part of obtaining reasonable assurance about whether Walker County, Georgia's, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 01-4 and 03-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walker County, Georgia's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect Walker County, Georgia's, ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-5 through 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 01-4 and 03-2 to be material weaknesses.

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

Burt, Peapack, Nelson, Huggins, PLLC

Chattanooga, Tennessee
January 13, 2004

**BURK PEARLMAN
NEBEN & HUGGINS, PLLC**
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

Commissioner
Walker County, Georgia
Lafayette, Georgia 30728

Compliance

We have audited the compliance of Walker County, Georgia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. Walker County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Walker County's management. Our responsibility is to express an opinion on Walker County's compliance based on our audit.

Walker County, Georgia's, basic financial statements include the operations of the Walker County Health Department component unit which received \$150,000 in federal awards which is not included in the schedule during the year ended June 30, 2003. Our audit, described below, did not include the operations of the Walker County Health Department component unit because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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

In our opinion, Walker County, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of Walker County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Walker County, Georgia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of the commissioner, management, federal awarding agencies and pass-through entities, the U.S. Department of Housing and Urban Development, and the U.S. Department of Transportation, and is not intended to be and should not be used by anyone other than these specified parties.

Burk, Pearfman, Nelson, Higgins, PLLC

Chattanooga, Tennessee
January 13, 2004

WALKER COUNTY, GEORGIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF JUSTICE			
Direct Award			
Bureau of Justice Assistance Multi-Jurisdictional Task Force	16.579	801-8-064 802-8-063	\$ 173,625
COPS Domestic Violence	16.710	1995CPWA4100 1996DVMW0235	2,477
Passed through State Council of Juvenile Court Judges			
Purchase of services for Juvenile Offenders Program	16.523	018-07-0001	52,812
Passed through State Criminal Justice Coordinating Council			
Victims of Crime Act (VOCA)	16.575	000-8-134	39,861
Passed through State Criminal Justice Coordinating Council			
Domestic Violence (DVWA)	16.588	W00-8-034 W01-8-028	<u>115,172</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>383,347</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State Department of Community Affairs			
Community Development Block - State Grant	14.219	000-2-146-2399 010-7-146-1-2531	<u>523,000</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Passed through State Department of Transportation			
Transit Operating Assistance	20.509	W0600-010000061 W0600-010000113	228,930
Passed through Governor's Office of Highway Safety			
Mobile Intox	20.600	402-PT-03-118	<u>5,000</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>233,930</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Award			
Assistance to Firefighters Grant Program for Fire Prevention	83.554	EMM-2002-FG-02457	36,900
Passed through Georgia Emergency Management Agency			
Domestic Preparedness Equipment Procurement	83.554	EMM-2003-FG-01299	<u>48,835</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			<u>105,735</u>
DEPARTMENT OF EDUCATION			
Passed through Georgia Department of Education			
Even Start - State Educational Agencies	84.213		<u>236,340</u>
TOTAL FEDERAL ASSISTANCE			<u>\$1,583,552</u>

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2003

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The schedule of expenditures of federal awards included the federal grant activity of Walker County, Georgia and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipient

The County did not provide Federal assistance to any subrecipient.

WALKER COUNTY, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2003

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

- 98-2 Previously reported corrective action plan implemented. The finding is closed.
- 98-5 The Clerk of Courts has implemented the corrective action plan. Due to the extended period of time certain funds are held by this office awaiting direction from the courts, the final determination of funds received but undisbursed has not been completed.
- 01-3 Previously reported corrective action plan implemented. The finding is closed.
- 01-4 A. Commissioner's Office
- The County has failed to implement the corrective action plan. The personnel department is reviewing personnel files for omitted or outdated documentation in order to verify that the files are complete and up to date.
- 02-1 The County has failed to implement the corrective action plan. A policy is being developed to prevent delinquent balance customers from continuing to use the landfill.

WALKER COUNTY, GEORGIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended September 30, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No
 Reportable condition(s) identified that are not
 considered to be material weaknesses? X Yes None reported
 Noncompliance material to financial statements noted? X Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes X No
 Reportable condition(s) identified that are not
 considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required to
 be reported in accordance with Section 510(a)
 of Circular A-133? Yes X No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
14.219	State Department of Community Development Community Development Block-State Grant
20.509	State Department of Transportation

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2003

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 01-4: PAYROLL AND RELATED LIABILITIES

Commissioner's Office

Condition: Insufficient documentation pertaining to employee personnel files was noted. Records of additions to or deductions from wages, and signed authorization forms approving employee pay raises, were missing from employee personnel files. Records should be maintained of vacation days earned, used, carried over, and expired. Each department must report this information to the central payroll department when time sheets are turned in for each pay period. Additionally, applications and written authority from supervisors are not always required to add individuals to the payroll. The condition was a prior year finding.

Criteria: Internal control procedures should be in place to provide reasonable assurance that payroll is computed using rates and other factors in accordance with contracts, relevant laws and regulations, and to insure that payroll disbursements are made only for the work authorized and performed.

Effect: Due to the lack of adequate payroll documentation and inadequate internal control procedures, there is a possibility of employee salaries and wages being computed incorrectly, allocated to programs in amounts not supportable, or out of compliance with relevant regulations.

Recommendations: Internal control procedures must be implemented to provide reasonable assurance that employee personnel files are maintained on all county employees. We recommend that the employee files should include the correct supporting documentation in accordance with Regulations 29 CFR Part 516 and the recordkeeping requirements should be in accordance with the Fair Standards Labor Act. We recommend that before the disbursing of an employee's payroll check, all required forms and supporting documentation be obtained for this employee. Additionally, a policy for using and carrying over vacation days earned, used, carried over and expired should be established and the recordkeeping to provide complete and accurate reports of such should be maintained.

Finding 02-1:

Condition: The County does not have a policy for collection of past due accounts receivable or for suspension of service to customers with delinquent balances in the landfill fund. The condition was a prior year finding.

Criteria: Procedures should be in place to facilitate collection of past due accounts receivable as well as a policy on when to discontinue service to these customers.

Effect: Lack of these procedures results in lost revenue to the County as well as expense incurred for waste hauling on amounts not collected.

Recommendation: Procedures should be implemented to reduce past due accounts. These procedures should include periodic review of an accounts receivable aging report, past due notices and telephone calls to past due customers and use of a collection agency or similar means. To reduce the likelihood of significant bad debts, all customers with past due balances in excess of 30 days should be prevented from using the County landfill.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2003

Finding 03-1:

Condition: The Sheriff's department does not have adequate procedures to maintain reconciliations between individual inmate account balances and the inmate trust fund account.

Criteria: Procedures should be in place to facilitate the department in keeping a running record of individual inmate accounts and those balances should be reconciled to the inmate trust fund account on a monthly basis.

Effect: Due to the lack of proper procedures, the department has no method to reconcile individual accounts to the trust account. This could result in lost or missing funds going undetected.

Recommendation: Procedures should be implemented to facilitate the department in maintaining records of inmate balances. We recommend maintaining current balances and reconciling the accounts to the bank balance on a monthly basis.

Finding 03-2:

Condition: Local governments are required by state law to require pledges of collateral from depository institutions. The County is under-collateralized in the Special Purpose Local Option Sales Tax 2003 fund.

Criteria: Procedures should be in place to insure the proper collateralization for each fund as required by law.

Effect: Lack of collateralization leaves the County vulnerable in case of default by the financial institution. In the event of such default, all uncollateralized funds would be lost.

Recommendation: Control procedures must be implemented to provide that all cash accounts are properly collateralized in compliance with state law.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2003

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2003

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WALKER COUNTY, GEORGIA
 SCHEDULE OF PROJECTS CONSTRUCTED WITH
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
 ADOPTED MARCH 17, 1998
 For the Fiscal Year Ended September 30, 2003

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Water and sewer	\$ 1,600,000	\$ 2,028,891	\$ 14,651	\$ 2,043,542	100%
C & D landfill	5,900,000	3,154,986	408,014	3,563,000	95
Recreation	1,700,000	814,616	129,225	943,841	60
Renovation of courthouse	1,200,000	1,072,955	114	1,073,069	100
New agricultural center	400,000	594,348	440	594,788	100
Renovate, expand jail	1,200,000	1,908,171	2,968	1,911,139	100
New industrial park	1,000,000	1,291,831	--	1,291,831	100
Roads, streets, and bridges	5,750,000	2,533,489	1,861,743	4,395,232	80
Administration	--	24,176	5,250	29,426	--
Total for all projects	<u>\$18,750,000</u>	<u>\$13,423,463</u>	<u>\$ 2,422,405</u>	<u>\$15,845,868</u>	

WALKER COUNTY, GEORGIA
 SCHEDULE OF PROJECTS CONSTRUCTED WITH
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
 ADOPTED APRIL 24, 2003
 For the Fiscal Year Ended September 30, 2003

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Sewer projects	\$ 3,500,000	\$ --	\$ --	\$ --	0%
Water projects	1,500,000	--	3,944	3,944	--
Fire hydrants	500,000	--	--	--	--
Emergency services	4,500,000	--	102,723	102,723	2
Technology	500,000	--	1,700	1,700	--
Animal shelter	300,000	--	--	--	--
Historical projects	200,000	--	265	265	--
Recreation	500,000	--	--	--	--
Roads, bridges, and road department equipment	4,875,000	--	102,700	102,700	2
Building construction and improvements	250,000	--	--	--	--
Industrial park improvements	4,000,000	--	--	--	--
Total for all projects	\$20,625,000	\$ --	\$ 211,332	\$ 211,332	--