

WALKER COUNTY, GEORGIA

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2004

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WALKER COUNTY GEORGIA
ANNUAL FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2004

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TABLE OF CONTENTS

FINANCIAL SECTION

Report of Independent Public Accountants	Page 1-2
Management's Discussion and Analysis	3-11

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Assets - Proprietary Fund	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Fiduciary Net Assets - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	22
Notes to the Basic Financial Statements	23-41

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule - General Fund	43-44
Budgetary Comparison Schedule - Fire and Rescue Fund	45
Schedule of Funding Progress - Retirement Plan	46

WALKER COUNTY GEORGIA
ANNUAL FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2004

TABLE OF CONTENTS
(Continued)

	Page
Schedule of Employer Contributions - Retirement Plan	47
Notes to Required Supplementary Information	48
 SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	51
Combining Balance Sheet - Nonmajor Special Revenue Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	53
Combining Balance Sheet - Nonmajor Capital Project Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Capital Projects Funds	55
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	56
Statement of Revenues and Expenditures to Budget - Family Connection Program	57
Georgia Community Development Block Grant - Childrens' Emergency Center	58
 COMPLIANCE	
FEDERAL COMPLIANCE AND INTERNAL CONTROL REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60-61
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	62-63
Schedule of Expenditures of Federal Awards	64-65
Summary Schedule of Prior Audit Findings and Questioned Costs	66
Schedule of Findings and Questioned Costs	67-71

WALKER COUNTY GEORGIA
ANNUAL FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2004

TABLE OF CONTENTS
(Continued)

	Page
STATE COMPLIANCE	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds Adopted March 17, 1998	72
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds Adopted April 24, 2003	73

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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, 2004, 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, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 3 through 11 and 43 through 48 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 57 and 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, Pearlman, Nelson, Higgins, PLLC

Chattanooga, Tennessee
February 11, 2005

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, 2004. Please read it in conjunction with the County's financial statements which follow this analysis.

FINANCIAL HIGHLIGHTS

- The assets of Walker County exceeded its liabilities at September 30, 2004 by \$15,419,940 (Net Assets). Of this amount, \$14,883,789 represented the investment in capital assets net of the related debt. This resulted in unrestricted net assets of \$536,151 that may be used to meet the government's ongoing obligations to citizens and creditors.
- In the county's business-type activities, expenditures exceeded revenues by \$934,503. Revenues were insufficient to recoup costs largely due to high depreciation expense and accrued post closure costs.
- The County's governmental activities reported combining ending net asset balances of \$15,543,906, an increase of \$2,494,094 over the prior year. Of this amount, \$1,012,696 remains in the various funds as unrestricted.
- Debt decreased by \$5,006,488. This was primarily due to a bond payment of \$1,806,396 and the payoff of two capital leases with SPLOST bond proceeds.

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 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 14. 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. See separately issued Health Department financial statements for additional information about this entity.

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. At the end of the current fiscal year, the County's assets exceeded liabilities by \$15,419,940. This excess is divided into two 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. 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, 2004, is \$536,151 which may be used to meet the County's ongoing obligations.

	Net Assets September 30, 2004				Total Primary Government	
	Governmental Activities		Business-type Activities		2004	2003
	2004	2003	2004	2003		
Assets						
Current and other assets	\$ 20,421,000	\$ 20,221,281	\$ 177,402	\$ 129,563	\$ 20,598,402	\$ 20,350,844
Capital assets	23,080,756 ✓	21,654,276	4,223,121	4,888,783	27,303,877	26,543,059
Total assets	\$ 43,501,756 /	\$ 41,875,557	\$ 4,400,523 ✓	\$ 5,018,346	\$ 47,902,279	\$ 46,893,903
Liabilities						
Long-term liabilities	\$ 21,306,914	\$ 26,553,461	\$ 3,871,658	\$ 3,805,483	\$ 25,178,572	\$ 30,358,944
Other liabilities	6,650,936 ✓	2,272,284	652,831	402,326	7,303,767	2,674,610
Total liabilities	\$ 27,957,850	\$ 28,825,745	\$ 4,524,489 ✓	\$ 4,207,809	\$ 32,482,339	\$ 33,033,554

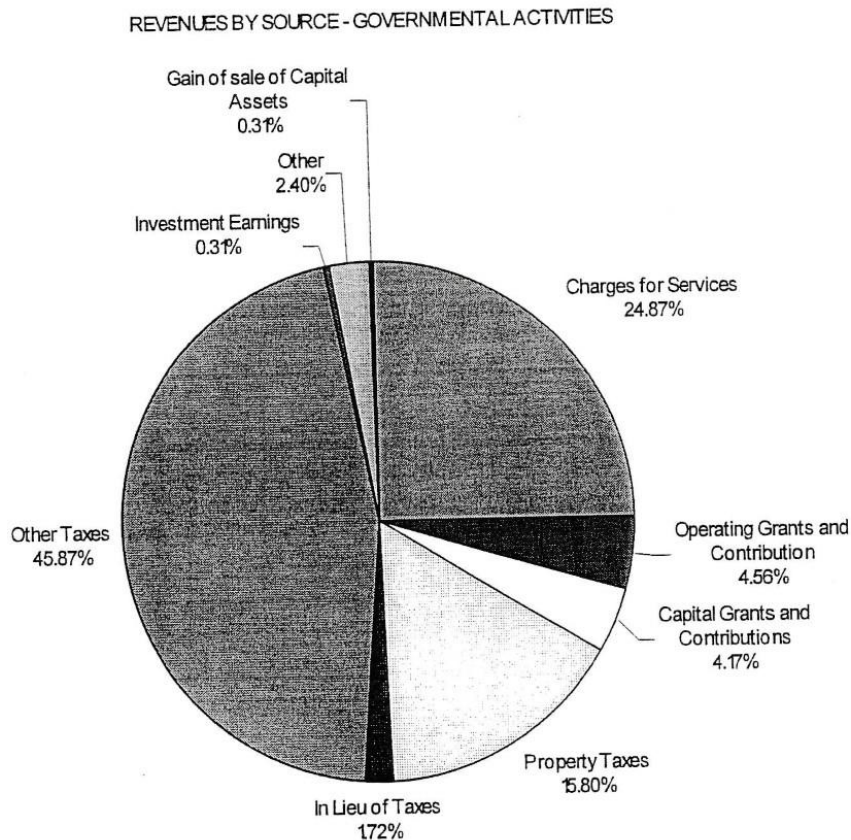
	Governmental		Business -type		Total	
	Activities		Activities		Primary	
	2004	2003	2004	2003	2004	2003
Net assets						
Invested in capital assets, net of related debt	\$ 14,531,210 ✓	\$ 13,058,279	\$ 352,579 ✓	\$ 1,083,300	\$ 14,883,789	\$ 14,141,579
Restricted	--	957,958	--	--	--	957,958
Unrestricted	1,012,696	(966,425)	(476,545)	(272,763)	536,151	(1,239,188)
Total net assets	\$ 15,543,906 ✓	\$ 13,049,812	\$ (123,966) ✓	\$ 810,537	\$ 15,419,940	\$ 13,860,349

Net assets of the County's governmental activities increased by \$2,494,094. This was due to most of the County's road work being financed with SPLOST funds and the payoff of several capital leases. Net assets of the business type activities decreased by \$934,503. The County's sole business activity is the Walker County Landfill. The year-ended September 30, 2004, was the first year the Construction and Demolition (C&D) landfill was in operation for an entire year. The landfill operated at a loss due to large postclosure and depreciation expense.

	Changes in Net Assets					
	Year-ended September 30, 2004					
	Governmental		Business-type		Total	
Activities		Activities		Primary		
				Government		
	2004	2003	2004	2003	2004	2003
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,874,475 ✓	\$ 5,780,609	\$ 1,387,679 ✓	\$ 1,304,375	\$ 7,262,154	\$ 7,084,984
Operating Grants & Contributions	1,076,179 ✓	1,381,838	--	--	1,076,179	1,381,838
Capital Grants & Contributions	984,758 ✓	563,469	--	408,014	984,758	971,483
General Revenues:						
Property Taxes	3,732,316	3,657,862	--	--	3,732,316	3,657,862
Other Taxes	10,832,476	10,473,390	--	--	10,832,476	10,473,390
Other	1,117,833	713,344	447	621	1,118,280	713,965
Total Revenues	23,618,037	22,570,512	1,388,126	1,713,010	25,006,163	24,283,522
Expenses:						
General government	3,046,052	3,115,508	--	--	3,046,052	3,115,508
Judicial	2,820,007	2,580,382	--	--	2,820,007	2,580,382
Sheriff	5,187,026	5,379,689	--	--	5,187,026	5,379,689
Public Safety	3,873,838	3,120,377	--	--	3,873,838	3,120,377
Public Works	3,655,967	1,371,755	--	--	3,655,967	1,371,755
Health and Welfare	1,051,034	1,923,201	--	--	1,051,034	1,923,201
Recreation and Culture	342,506	275,045	--	--	342,506	275,045
Housing and Development	357,815	408,185	--	--	357,815	408,185
Intergovernment Payments	156,626	1,158,047	--	--	156,626	1,158,047
Interest on Long Term Debt	599,981	577,996	--	--	599,981	577,996
Solid Waste	--	--	2,322,629	1,495,711	2,322,629	1,495,711
Total Expenses	21,090,852 ✓	19,910,185	2,322,629 ✓	1,495,711	23,413,481	21,405,896

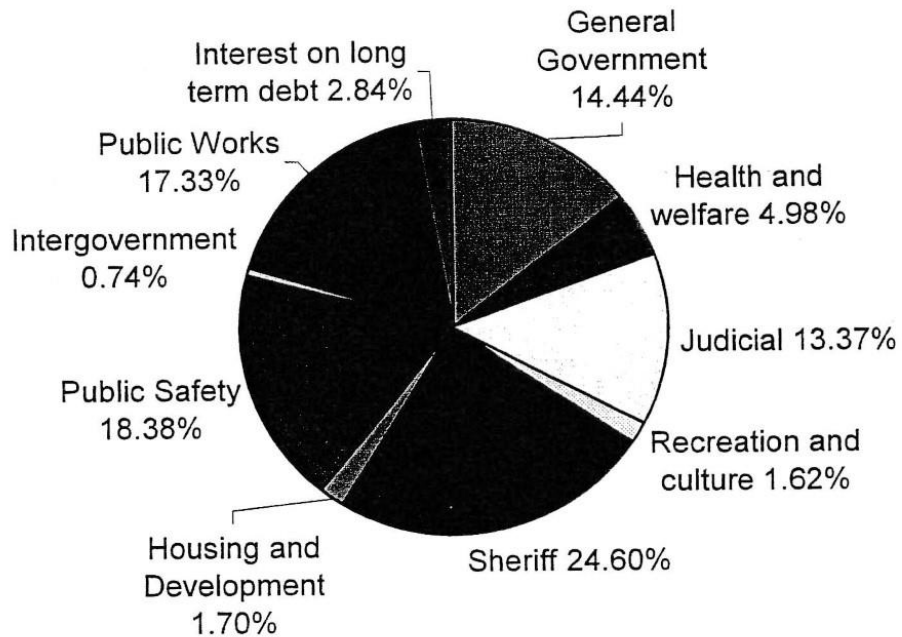
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Increase (decrease) in net assets	2,527,185 /	2,660,327	(934,503) /	217,299	1,592,682	2,877,626
Net assets - October 1 (as restated)	13,016,721	10,356,394	810,537	593,238	13,827,258	10,949,632
Net assets - September 30	<u>\$15,543,906 /</u>	<u>\$13,016,721</u>	<u>\$(123,966) /</u>	<u>\$ 810,537</u>	<u>\$15,419,940</u>	<u>\$13,827,258</u>

Total government wide revenue of \$25,006,163 was comprised of governmental activities (\$23,618,037) and business type activities (\$1,388,126). The following chart illustrates the distribution of the governmental revenue. The revenue of the business type activity was almost solely charges for services.



Government wide expenses totaled \$23,413,481 for fiscal year 2004, including governmental activity expense of \$21,090,582 and business type activity expense of \$2,322,629. The following chart provides a visual depiction of expenditures of the governmental activities by function.

EXPENSES BY FUNCTION - GOVERNMENTAL ACTIVITIES



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 \$14,081,469. All but \$7,000 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 funds that are required to be expended on building maintenance.

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 \$3,801,084. The fund balance decreased by \$228,387 during the current year. This decrease included operating transfers of \$760,518 to supplement operations of other funds. Among the operating transfers were \$295,618 to E911 and \$463,152 required by federal and/or state grants as the County's matching share.

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, other than the general fund, of Walker County and their fund balances at year-end are: Fire and Rescue, (\$201,874) and SPLOST 2003, \$9,556,834. The fund balance in Fire and Rescue decreased by \$221,117 and the fund balance in SPLOST 2003 decreased by \$3,254,553. The change in Fire and Rescue was impacted by an increase in personnel cost from the prior year of \$103,674, capital asset additions, mainly buildings, and capital lease payments. The decrease in SPLOST 2003 was primarily the result of acquiring capital assets which in fund accounting are treated as expenditures and act to decrease 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 General Fund actual revenues exceeding budgeted revenues by \$745,404 and fund budgeted expenditures and other financing uses exceeding actual expenditures by \$1,014,158.

The excess revenues over budgeted revenues was primarily due to the following revenue categories where actual revenues exceeded budgeted revenues: tax receipts by \$786,767, fines by \$277,034 and charges for services by \$110,404. The excess was reduced by receiving less for intergovernmental (\$421,062) and miscellaneous (\$287,478) than projected.

The budget amendment as to expenditures was essentially to realign expenditures. This was to take into effect a portion of the Road Department expenditures for road projects, 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, 2004 totals \$23,080,756 (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 \$1,426,480 net of accumulated depreciation.

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

- . Construction of the Children's Shelter was completed and placed in service. The shelter was constructed from grant proceeds obtained for this purpose.
- . CIP at year-end was \$346,163 which represented the year to date investment in the Aerial Mapping project of the County's tax parcels.

Included in the capital additions for the year is a building valued at \$160,000 donated by a local citizen. The county also purchased a historical structure, the Marsh Warthern House, with SPLOST funds.

The Construction and Demolition Landfill, although already placed in service, was planned in stages. Work had proceeded with the next stage of the project to further increase its size thus increasing its useful life.

Vehicles and equipment increased by \$1,930,441 during the year. This represented an investment in Fire and Rescue equipment of \$255,517, vans for the transit authority of \$349,906, Sheriff vehicles of \$448,741, Road department equipment of \$838,861 and other of \$37,416.

Capital Assets at Year-end
September 30, 2004

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2004	2003	2004	2003	2004	2003
Non-depreciable assets:						
Land	\$ 370,443	\$ 370,443	\$ --	\$ --	\$ 370,443	\$ 370,443
Construction in progress	346,163	568,346	153,202	--	499,365	568,346
Depreciable assets:						
Buildings and improvements	16,673,983	15,223,433	306,771	300,653	16,980,754	15,524,086
Machinery and equipment	13,684,559	11,754,118	1,200,920	1,190,185	14,885,479	12,944,303
Infrastructure	1,194,240	1,194,240	--	--	1,194,240	1,194,240
C&D Landfill	--	--	4,016,605	4,016,605	4,016,605	4,016,605
Total	32,269,388	29,110,580	5,677,498	5,507,443	37,946,886	34,618,023
Less: accumulated depreciation	(9,188,632)	(7,456,304)	(1,454,377)	(618,660)	(10,643,009)	(8,074,964)
Net capital assets	\$23,080,756	\$21,654,276	\$ 4,223,121	\$ 4,888,783	\$ 27,303,877	\$26,543,060

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 \$25,727,456. This consisted of bonds, notes payable, lease obligations, landfill closure and postclosure costs and compensated absences.

New debt resulted from a short-term tax anticipation note in the amount of \$550,000 repayable within 60 days from proceeds of the life insurance tax. Additionally, the obligation for Landfill postclosure cost increased by \$274,104. SPLOST bonds in the amount of \$1,806,396 matured and were paid from current year SPLOST receipts which are escrowed for this purpose.

OUTSTANDING DEBT AT YEAR END

	Governmental Activities		Business -type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 15,931,907	\$ 17,738,303	\$ --	\$ --	\$ 15,931,907	\$ 17,738,303
Lease Obligations	4,967,582	8,300,301	680,994	890,039	5,648,576	9,190,340
Notes Payable	550,000	375,000	--	--	550,000	375,000
Compensated Absences	407,425	514,857	--	--	407,425	514,857
Landfill Closure Costs	--	--	3,189,548	2,915,444	3,189,548	2,915,444
Totals	\$ 21,856,914	\$ 26,928,461	\$ 3,870,542	\$ 3,805,483	\$ 25,727,456	\$ 30,733,944

ECONOMIC FACTORS AND THE 2005 BUDGET

The fiscal year ended September 30, 2004 saw job losses slightly exceed job gains with the unemployment rate being 4.1% at September 30, 2004. The County continued to see several manufacturing and retail business closings. While still maintaining the lowest tax levy for County operations within the state, a property tax increase was necessary for fiscal year 2005 due to the rising costs of government without a corresponding increase in revenues.

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, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
ASSETS				
Cash and cash equivalents	\$ 2,244,209	\$ 418	\$ 2,244,627 ✓	\$ 735,730
Restricted cash	138,474	--	138,474 ✓	--
Investments	7,850,176	--	7,850,176 ✓	--
Receivables:				
Taxes	3,138,763	--	3,138,763	--
Accounts	1,612,952	176,984	1,789,936 ✓	--
Internal balances	652,831	(652,831)	-- ✓	--
Due from other governments	4,278,329	--	4,278,329	97,861
Prepaid expenses	153,365	--	153,365	--
Deferred charges - issuance costs	351,901	--	351,901	--
Capital assets, net of accumulated depreciation	<u>23,080,756</u> ✓	<u>4,223,121</u> ✓	<u>27,303,877</u>	<u>5,051</u>
TOTAL ASSETS	<u>43,501,756</u>	<u>3,747,692</u>	<u>47,249,448</u>	<u>838,642</u>
LIABILITIES				
Accounts payable and accrued expenses	1,274,165	--	1,274,165	7,183
Short-term debt	550,000	--	550,000	--
Due to other governments	156,627	--	156,627	75,618
Due to heirs, litigants, and others	66,323	--	66,323	--
Deferred revenue	4,405,761	--	4,405,761	64,892
Accrued interest payable	198,060	--	198,060	--
Long-term liabilities -				
Portion due or payable within one year:				
Bonds payable	3,859,083	--	3,859,083	--
Capital leases	767,999	217,595	985,594	--
Compensated absences	391,700	1,116	392,816	--
Landfill closure and postclosure care costs	--	103,510	103,510	--
Portion due or payable after one year:				
Bonds payable	12,072,824	--	12,072,824	--
Capital leases	4,199,583	463,399	4,662,982	--
Compensated absences	15,725	--	15,725	74,047
Landfill closure and postclosure care costs	--	3,086,038	3,086,038	--
TOTAL LIABILITIES	<u>27,957,850</u>	<u>3,871,658</u>	<u>31,829,508</u>	<u>221,740</u>
NET ASSETS				
Invested in capital assets, net of related debt	14,531,210	352,579	14,883,789	5,051
Unrestricted	<u>1,012,696</u>	<u>(476,545)</u>	<u>536,151</u>	<u>611,851</u>
TOTAL NET ASSETS	<u>\$15,543,906</u> ✓	<u>\$ (123,966)</u> ✓	<u>\$15,419,940</u>	<u>\$ 616,902</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

FUNCTION/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 3,046,052	\$ --	\$ 215,170	\$ (1,673,967)		\$ (1,673,967)	
Judicial	2,820,007	440,067	--	(388,602)		(388,602)	
Sheriff	5,187,026	--	42,585	(4,691,051)		(4,691,051)	
Public safety	3,873,838	--	416,753	(1,248,931)		(1,248,931)	
Public works	3,655,967	22,251	--	(3,614,908)		(3,614,908)	
Health and welfare	1,051,034	601,361	310,250	(93,553)		(93,553)	
Culture and recreation	342,506	12,500	--	(330,006)		(330,006)	
Housing and development	357,815	--	--	(357,815)		(357,815)	
Intergovernmental payments	156,626	--	--	(156,626)		(156,626)	
Interest on long-term debt	599,981	--	--	(599,981)		(599,981)	
Total governmental activities	21,090,852	1,076,179	984,758	(13,155,440)		(13,155,440)	
Business-type activities:							
Landfill	2,322,629	--	--	--	\$(934,950)	(934,950)	
Total business-type activities	2,322,629	--	--	--	(934,950)	(934,950)	
Total primary government	\$23,413,481	\$1,076,179	\$ 984,758	(13,155,440)		(14,090,390)	
COMPONENT UNIT:							
Walker County Health Department	\$ 1,740,885	\$ 935,054	\$ --				\$(319,567)
General Revenues:							
Taxes:							
General property taxes				3,732,316		3,732,316	
General sales and use tax				8,608,975		8,608,975	
Selective sales and use taxes				245,814		245,814	
Business taxes				1,977,687		1,977,687	
Penalties and interest on delinquent taxes				195,515		195,515	
In lieu of taxes				405,244		405,244	
Payment from Walker County				--		--	267,984
Grants and contributions				207,227	443	207,227	3,857
Unrestricted investment earnings				73,115		73,115	
Gain on trade-in of capital assets				73,211		73,211	
Miscellaneous				163,521	4	163,525	3,275
Total general revenues and transfers				15,682,625	447	15,683,072	
Change in net assets				2,527,185	(934,503)	1,592,682	(44,451)
Net assets - beginning				13,049,812	810,537	13,860,349	578,889
Prior period adjustment				(33,091)	--	(33,091)	82,464
Net assets - beginning, as restated				13,016,721	810,537	13,827,258	661,353
Net assets - ending				\$15,543,906	\$(123,966)	\$15,419,940	\$ 616,902

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	<u>General Fund</u>	<u>Fire and Rescue</u>	<u>SPLOST 2003</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 1,159,678	\$ 116,305	\$ 608,518	\$ 359,708	\$ 2,244,209
Restricted cash	90,322	--	5,000	43,153	138,475
Investments	--	--	7,850,176	--	7,850,176
Receivables:					
Taxes	3,138,763	--	--	--	3,138,763
Accounts	83,437	1,446,416	--	83,099	1,612,952
Due from other funds	1,714,527	200,164	401,773	466,149	2,782,613
Due from other governments	2,936,147	--	842,890	499,290	4,278,327
Prepaid expenses	--	--	2,456	2,784	5,240
TOTAL ASSETS	<u>\$9,122,874</u>	<u>\$1,762,885</u>	<u>\$9,710,813</u>	<u>\$1,454,183</u>	<u>\$22,050,755</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$1,224,659	--	--	\$ 49,506	\$ 1,274,165
Compensated absences	43,174	--	--	--	43,174
Due to other funds	867,922	802,263	--	459,597	2,129,782
Due to other governments	--	--	153,979	2,648	156,627
Due to heirs, litigants and others	66,323	--	--	--	66,323
Deferred revenue	2,562,712	1,162,496	--	24,007	3,749,215
Notes and bonds payable	550,000	--	--	--	550,000
TOTAL LIABILITIES	<u>5,314,790</u>	<u>1,964,759</u>	<u>153,979</u>	<u>535,758</u>	<u>7,969,286</u>
Fund Balances:					
Reserved for:					
Building maintenance	7,000	--	--	--	7,000
Unreserved, reported in:					
General fund	3,801,084	--	--	--	3,801,084
Special revenue funds	--	(201,874)	--	411,128	209,254
Capital projects funds	--	--	9,556,834	507,297	10,064,131
TOTAL FUND BALANCES	<u>3,808,084</u>	<u>(201,874)</u>	<u>9,556,834</u>	<u>918,425</u>	<u>14,081,469</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$9,122,874</u>	<u>\$ 1,762,885</u>	<u>\$9,710,813</u>	<u>\$1,454,183</u>	<u>\$22,050,755</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 September 30, 2004

\$14,081,469 ✓

Total fund balances - governmental fund types	
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	\$ 370,443
Construction in progress	346,163
Infrastructure, net of \$59,712 accumulated depreciation	1,134,528
Buildings and improvements, net of \$3,037,729 accumulated depreciation	13,636,254
Equipment, net of \$317,886 accumulated depreciation	890,621
Vehicles, net of \$4,243,625 accumulated depreciation	5,140,190
Trucks and construction equipment, net of \$1,529,680 accumulated depreciation	<u>1,562,557</u>
	23,080,756 ✓

148,125 ✓

(656,545) ✓

(198,060) ✓
 351,901 ✓

(21,263,740)

\$15,543,906 ✓

(15,665,000) ✓	
(4,967,582) ✓	
(364,251) ✓	
<u>(266,907) ✓</u>	

Total fund balances - governmental fund types

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
- Infrastructure, net of \$59,712 accumulated depreciation
- Buildings and improvements, net of \$3,037,729 accumulated depreciation
- Equipment, net of \$317,886 accumulated depreciation
- Vehicles, net of \$4,243,625 accumulated depreciation
- Trucks and construction equipment, net of \$1,529,680 accumulated depreciation

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.

County taxes and fire fees reported as revenue under the modified accrual basis, but not susceptible to accrual in the statement of net assets.

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. Bond issuance costs of \$15,206 were incurred in connection with the debt issued at the end of fiscal year 2003, that will be expensed over the remaining life of the debt in the statement of activities.

- Balances at September 30, 2004, are:
- Accrued interest on bonds
- Bond issuance costs, net of amortization
- Bonds payable
- Capital leases
- Compensated absences
- Unamortized premiums

Total long-term liabilities

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES

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, 2004

	General Fund	Fire and Rescue	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 3,805,385	\$ --	\$ --	\$ --	\$ 3,805,385
Other taxes	6,230,882	--	4,786,517	10,590	11,027,989
Licenses and permits	128,423	--	--	--	128,423
Intergovernmental	662,895	--	--	2,022,972	2,685,867
Charges for services	686,404	1,580,868	--	735,188	3,002,460
Fines and forfeitures	1,811,534	--	--	128,667	1,940,201
Investment income	2,189	1,795	65,135	3,996	73,115
Contributions and donations	207,227	--	--	37,965	245,192
Rental income	433,118	--	--	80,831	513,949
Miscellaneous	544,104	1,621	100	30,147	575,972
TOTAL REVENUES	<u>14,512,161</u>	<u>1,584,284</u>	<u>4,851,752</u>	<u>3,050,356</u>	<u>23,998,553</u>

EXPENDITURES					
Current:					
General government	2,987,795	--	624,037	35,278	3,647,110
Judicial	2,470,811	--	232,283	302,003	3,005,097
Sheriff	4,961,690	--	420,119	52,794	5,434,603
Public safety	404,838	1,444,412	3,019,628	1,476,684	6,345,562
Public works	1,366,290	--	1,474,838	1,242,009	4,083,137
Health and welfare	803,184	--	--	374,929	1,178,113
Culture and recreation	134,375	--	18,192	264,538	417,105
Housing and development	328,562	--	--	--	328,562
Debt service:					
Principal retirement	405,222	168,268	1,690,000	145,062	2,408,552
Interest	157,630	192,371	458,023	5,988	814,012
Bond issuance costs	--	--	15,206	--	15,206
Intergovernmental payments	--	--	153,979	2,647	156,626
TOTAL EXPENDITURES	<u>14,020,397</u>	<u>1,805,051</u>	<u>8,106,305</u>	<u>3,901,932</u>	<u>27,833,685</u>
Excess revenues over (under) expenditures	491,764	(220,767)	(3,254,553)	(851,576)	(3,835,132)

OTHER FINANCING SOURCES (USES)					
Transfers in	--	--	--	760,868	760,868
Transfers out	(760,518)	(350)	--	--	(760,868)
Proceeds from capital leases	--	--	--	1,073	1,073
Sale of capital asset	73,211	--	--	--	73,211
TOTAL OTHER FINANCING SOURCES (USES)	<u>(687,307)</u>	<u>(350)</u>	<u>--</u>	<u>761,941</u>	<u>74,284</u>
Excess of revenues and other sources over (under) expenditures and other uses	(195,543)	(221,117)	(3,254,553)	(89,635)	(3,760,848)
Fund balances - beginning of year	4,029,471	19,243	12,811,387	1,015,307	17,875,408
Fund balances - end of year	(25,844)	--	--	25,844	--
Prior period adjustments:	--	--	--	(33,091)	(33,091)
Changes in accounting principle:	--	--	--	--	--
Reclassification of funds	--	--	--	--	--
Correction of errors	--	--	--	--	--
Fund balances - end of year	<u>\$ 3,808,084</u>	<u>\$ (201,874)</u>	<u>\$ 9,556,834</u>	<u>\$ 918,425</u>	<u>\$14,081,469</u>

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, 2004

\$ (3,760,848) ✓

Net changes in fund balances - total government funds

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.

1,426,480 ✓

County taxes and fire fees reported as revenue under the modified accrual basis, but not susceptible to accrual in the statement of net assets.

(453,728) ✓

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.

5,116,357 ✗

Expenditures recognized under the modified accrual basis of accounting for governmental funds, but recorded as prepaid expenses under the accrual basis.

7,728

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.

93,560 ✗

97,636

\$ 2,527,185 ✓

Compensated absences
 Accrued interest

Change in net assets of governmental activities

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2004

	Enterprise Fund
	Landfill
ASSETS	
CURRENT ASSETS	
Cash	\$ 418
Receivables, net of allowances	<u>176,984</u>
TOTAL CURRENT ASSETS	<u>177,402</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation:	
C and D landfill	3,293,616
Buildings and improvements	260,765
Equipment	515,538
Construction in progress	<u>153,202</u>
TOTAL NONCURRENT ASSETS	<u>4,223,121</u>
TOTAL ASSETS	<u>4,400,523</u>
LIABILITIES	
CURRENT LIABILITIES	
Compensated absences	1,116
Capital lease payable - short-term	217,595
Landfill closure and postclosure care costs - short-term	103,510
Due to other funds	<u>652,831</u> ✓
TOTAL CURRENT LIABILITIES	<u>975,052</u>
NONCURRENT LIABILITIES	
Capital lease payable - long-term	463,399
Landfill closure and postclosure care costs - long-term	<u>3,086,038</u>
TOTAL NONCURRENT LIABILITIES	<u>3,549,437</u>
TOTAL LIABILITIES	<u>4,524,489</u>
NET ASSETS	
Invested in capital assets, net of related debt	352,579
Unrestricted (deficit) net assets	<u>(476,545)</u>
TOTAL NET ASSETS	\$ (<u>123,966</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, 2004

	Enterprise Fund
	Landfill
OPERATING REVENUES	
Charges for services	\$ <u>1,387,679</u>
OPERATING EXPENSES	
Salaries	225,741
Employee benefits	57,482
Purchased services	510,170
Landfill closure/postclosure care costs	274,104
Professional fees	217,453
Repairs and maintenance	94,454
Depreciation	835,716
Supplies	63,780
Bad debt expense	<u>7,000</u>
TOTAL OPERATING EXPENSES	<u>2,285,900</u>
OPERATING INCOME (LOSS)	(<u>898,221</u>)
NONOPERATING REVENUES (EXPENSES)	
Interest revenues	443
Miscellaneous revenues	4
Interest expense on capital leases	<u>(36,729)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(36,282)</u>
CHANGE IN NET ASSETS	(934,503) ✓
Total net assets - beginning	<u>810,537</u> ✓
Total net assets - ending	\$ (<u>123,966</u>) ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2004

	Enterprise Fund
	<u>Landfill</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 1,328,474
Receipts from customers	(635,352)
Payments to suppliers	(282,107)
Payments to employees	<u>411,015</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>411,015</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	4
Miscellaneous revenues	<u>4</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>4</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(170,054)
Acquisition and construction of capital assets	(209,045)
Principal paid on capital lease obligations	(36,729)
Interest paid on capital lease obligations	<u>(415,828)</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(415,828)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	443
Interest income	<u>443</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>443</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,366)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,784</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u>418</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (898,221)
Operating income (loss)	835,716
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	7,000
Depreciation	274,104
Provisions for losses on accounts receivable	(59,205)
Landfill closure/postclosure care costs	250,505
Changes in assets and liabilities:	<u>1,116</u>
(Increase) decrease in accounts receivable	(59,205)
Increase (decrease) in due to other funds	250,505
Increase (decrease) in accrued expenses	<u>1,116</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>411,015</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2004

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ --	\$ 2,363,231 ✓
Investments, at fair value:		
Guaranteed fixed income account	2,363,247	--
Mutual funds	<u>2,300,226</u>	<u> --</u>
TOTAL ASSETS	<u>4,663,473</u>	<u>2,363,231</u>
LIABILITIES		
Accounts payable	--	4,462
Due to other governments	--	1,662,781
Due to heirs, litigants, and others	<u> --</u>	<u>695,988</u>
TOTAL LIABILITIES	<u> --</u>	<u>2,363,231</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see schedule of funding progress)	\$ <u>4,663,473</u>	\$ <u> --</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
September 30, 2004

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ <u>632,082</u>
Total contributions	<u>632,082</u>
Investment income:	
Interest	<u>219,980</u>
Net investment income	<u>219,980</u>
TOTAL ADDITIONS	<u>852,062</u>
DEDUCTIONS	
Benefits	113,169
Insurance premiums	<u>28,177</u>
Total deductions	<u>141,346</u>
CHANGE IN NET ASSETS	710,716
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>3,952,757</u> ✓
End of year	<u>\$ 4,663,473</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2004

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)

A.2 *Basis of Presentation*

A.2.1 *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 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.2.2 *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. GASB 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.

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

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 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.

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.2.3 Accounting Period

All funds of Walker County, Georgia, are on fiscal year basis with the year ending September 30, 2004, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2004.

A.3 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. The property taxes levied on or about October 20th, are levied for that fiscal year, thus the amounts are deferred at September 30, 2004. 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.

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

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 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.4 *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.5 *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.6 *Assets, Liabilities and Net Assets*

A.6.1 *Cash and Investments*

Cash in excess of current requirements is invested in certificates of deposits with various maturities, transferred to interest-bearing savings accounts, invested in the Georgia Local Government Investment Pool, or invested in any corporation of the U.S. government. Deposits in excess of federally insured amounts are required to be collateralized by securities of the depository bank.

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

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.

Investments in the Local Government Investment Pool are specifically invested in "Georgia Fund 1". "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share.

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 Code Section 36-83-8, repurchase agreements, and obligations of other political subdivisions of Georgia.

A.6.2 *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 \$211,600 and \$198,000, respectively. Estimated uncollectible accounts receivable in the landfill proprietary fund are \$27,000.

A.6.3 *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.6.4 *Prepaid Expenses*

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

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

A.6.5 *Deferred Charges*

Deferred charges in the government-wide financial statements consist of bond reissuance costs that are amortized over the life of the bond issue.

A.6.6 *Capital Assets*

Capital assets, which include property, 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 defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. An exception to the \$5,000 threshold is capital lease assets. The County capitalizes all capital lease assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. 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, 2004.

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:

<u>Assets</u>	<u>Years</u>
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.6.7 *Other Assets*

Other assets held are recorded and accounted for at cost.

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

A.6.8 *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.6.9 *Deferred Revenues*

The government-wide financial statements use the accrual basis of accounting and all revenue is recognized when earned. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

A.6.10 *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.

A.6.11 *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.6.12 *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.7 *Revenues and Expenditures and Expense*

A.7.1 *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

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

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, 2004
Levy date	October 20, 2004
Due date	December 20, 2004
Delinquency date	December 21, 2004

A.7.2 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 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.7.3 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.8 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

Primary Government

Fund Reclassifications

Forfeiture Fund. This fund was set up in fiscal year 2004 to account for drug forfeiture funds. These funds were previously reported in the General Fund.

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

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>Forfeiture Fund</u>
Net assets at September 30, 2003, as previously reported	\$ 4,029,471	\$ --
Fund reclassification: Forfeiture fund	(25,844)✓	<u>25,844</u> ✓
Net assets at September 30, 2003, as restated	<u>\$ 4,003,627</u>	<u>\$ 25,844</u>

The County has determined that certain transactions were recorded incorrectly in the prior year.

Governmental Activities: Accounts payable in the E911 fund were understated by \$33,091. An invoice was not recorded in fiscal year 2003 for services provided. This error resulted in a material misstatement for the year ended September 30, 2003. Accordingly, the County has restated its financial statements for the year then ended. The effect of the restatement was to increase the County's net assets and change in net assets by \$33,091.

Component Unit

In the prior year, accumulated and forfeited sick leave and forfeited annual leave were calculated incorrectly. A prior period adjustment of \$82,464 was made to correct this error.

NOTE C - CASH AND INVESTMENTS

Primary Government

The cash and investments of the County were fully collateralized at September 30, 2004. 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.

Deposits with Financial Institutions

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$ 1,195,031	\$ 1,206,332
Category 2	3,548,086	3,909,680
Category 3	--	--
Total deposits with financial institutions	<u>\$ 4,743,117</u>	<u>\$ 5,116,012</u>

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

The deposits of the County are included in the following classifications at September 30, 2004.

Primary government:	
Cash and cash equivalents	\$ 2,241,412 ✓
Restricted cash	138,474 ✓
Agency funds:	
Cash	<u>2,363,231</u> ✓
Total deposits with financial institutions	<u>\$ 4,743,117</u>

Carrying Amount

Investments	
Category 2	\$ 5,984,800
Federal Home Loan Mortgage Discount Notes	
Investment not subject to categorization:	
Investments in external pools	<u>1,865,376</u> /
	<u>\$ 7,850,176</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, 2004.

At June 30, 2004, cash consisted of the following:

Cash and cash equivalents	<u>\$735,730</u> /
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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	\$ 802,263 ✓
General fund from Landfill fund	652,831 ✓
General fund from Nonmajor governmental funds	259,433 ✓
Fire and Rescue from Nonmajor governmental funds	200,164 ✓
SPLOST 2003 fund from General fund	401,773 ✓
Nonmajor governmental funds from General fund	<u>466,149</u> ✓
Total	<u>\$ 2,782,613</u>
Due from:	
Other funds, Balance Sheet - Governmental Funds	\$ 2,782,613
Due to:	
Other funds, Statement of Net Assets - Proprietary Fund	(652,831)
Total	<u>\$ 2,129,782</u>

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

Transfers To/From Other Funds

Transfers to/from other funds at September 30, 2004, consist of the following:

From the General fund to the E911 fund for sustaining difference	\$ 295,618
From the General fund to the Childrens' Shelter for work completed by the Road Department	452 ✓
From the General fund to the Grant fund for County matching requirements	463,152 ✓
From the General fund to the Senior Center fund for remaining construction balance	796 ✓
From the General fund to the Greenspace fund for sustaining difference	500 ✓
From the Fire and Rescue fund for County matching requirements	350 ✓
Total	<u>\$ 760,868</u>

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

NOTE E - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2004, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 370,443	\$ --	\$ --	\$ 370,443
Construction in progress	568,346	346,163	568,346	346,163
Total capital assets not being depreciated	<u>938,789</u>	<u>346,163</u>	<u>568,346</u>	<u>716,606</u>
Capital assets being depreciated:				
Infrastructure	1,194,240	--	--	1,194,240
Buildings and improvements	15,223,433	1,450,550	--	16,673,983
Equipment	1,112,346	96,161	--	1,208,507
Vehicles	8,498,215	885,600	--	9,383,815
Trucks and construction equipment	2,143,557	948,680	--	3,092,237
Total capital assets being depreciated	<u>28,171,791</u>	<u>3,380,991</u>	<u>--</u>	<u>31,552,782</u>
Less accumulated depreciation for:				
Infrastructure	19,904	39,808	--	59,712
Buildings and improvements	2,754,997	282,732	--	3,037,729
Equipment	169,045	148,841	--	317,886
Vehicles	3,306,817	936,808	--	4,243,625
Trucks and construction equipment	1,205,541	324,139	--	1,529,680
Total accumulated depreciation	<u>7,456,304</u>	<u>1,732,328</u>	<u>--</u>	<u>9,188,632</u>
Total capital assets being depreciated, net	<u>20,715,487</u>	<u>1,648,663</u>	<u>--</u>	<u>22,364,150</u>
Governmental activity capital assets, net	<u>\$21,654,276</u>	<u>\$1,994,826</u>	<u>\$ 568,346</u>	<u>\$23,080,756</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
BUSINESS-TYPE ACTIVITIES:				
Landfill:				
Capital assets not being depreciated:				
Construction-in-progress	\$ --	\$ 153,202	\$ --	\$ 153,202
Total capital assets not being depreciated	<u>--</u>	<u>153,202</u>	<u>--</u>	<u>153,202</u>
Capital assets being depreciated and amortized:				
C & D Landfill	4,016,605	--	--	4,016,605
Buildings and improvements	300,653	6,118	--	306,771
Machinery and equipment	373,935	6,196	--	380,131
Capital lease assets	765,270	--	--	765,270
Vehicles	47,700	--	323	47,377
Furniture and fixtures	--	1,028	--	1,028
Software	108	--	--	108
Computers, radios, and electronics	3,172	3,834	--	7,006
Total capital assets being depreciated and amortized	<u>5,507,443</u>	<u>17,176</u>	<u>323</u>	<u>5,524,296</u>
Less accumulated depreciation and amortization for:				
C & D Landfill	33,739	689,250	--	722,989
Buildings and improvements	38,266	7,740	--	46,006
Machinery and equipment	297,123	27,362	--	324,485
Capital lease assets	214,140	105,195	--	319,335
Vehicles	34,938	5,360	--	40,298
Furniture and fixtures	--	43	--	43
Software	14	22	--	36
Computers, radios, and electronics	440	745	--	1,185
Total accumulated depreciation and amortization	<u>618,660</u>	<u>835,717</u>	<u>--</u>	<u>1,454,377</u>
Total capital assets being depreciated, net	<u>4,888,783</u>	<u>(818,541)</u>	<u>323</u>	<u>4,069,919</u>
Business-type activities capital assets, net	<u>\$ 4,888,783</u>	<u>\$ (665,339)</u>	<u>\$ 323</u>	<u>\$ 4,223,121</u>

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

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 55,789
Judicial	45,797
Sheriff	311,608
Public safety	641,633
Public works	424,568
Health and welfare	223,680
Culture and recreation	<u>29,253</u>
	<u>\$ 1,732,328</u>

NOTE F - PENSION PLAN

Plan Description. Three hundred and ten (310) 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 January 1, 2004. 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 3 years of service, age 60 with 20 years of service, or age 55 with 25 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 credited 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, 2003, were \$650,888 and were made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2004, (the most recent actuarial valuation date). The County's covered payroll for the plan year ended January 1, 2004, was \$7,045,250 and the total payroll was \$8,925,775.

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, 2001	\$475,741	\$551,981	116.0%	--
December 31, 2002	548,884	549,758	100.0	--
December 31, 2003	650,888	650,888	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)
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
2004	4,663,473	5,258,586	595,113	88.7	7,045,250	8.4

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.

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.

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

Actuarial assumptions are the same as those used in the preceding year.

Plan Membership Data. As of January 1, 2004, 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		61
Active participants		<u>241</u>
Total		<u>310</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, 2004

	<u>Fair Value</u>	<u>% of Total</u>
Lincoln Financial Group:		
Guaranteed fixed income account	\$ 2,421,152	51.92%
Balanced account	1,120,410	24.03
International equity account	569,174	12.20
Government/Corporate bond	<u>552,737</u>	<u>11.85</u>
Total	<u>\$ 4,663,473</u>	<u>100.00%</u>

Note G - POST-EMPLOYMENT BENEFITS

The County sponsors a post employment benefit plan to eligible employees of the County. These employees must have attained age 60 with at least twenty years of service, and have retired from the County with no other medical insurance. The retired employee will be allowed to continue the medical insurance coverage they were receiving as of the date of retirement, with the County continuing to pay the employer portion of the cost until the employee attains age 65. The employee must contribute the amount that would be withheld from payroll if still employed. At September 30, 2004, the County had not adopted a resolution for the plan's provisions. The plan is financed on a pay-as-you-go basis. The benefit expenditure at September 30, 2004, was \$2,855, net of any participant contributions. Two participants were eligible to receive benefits at September 30, 2004.

NOTE H - SHORT-TERM DEBT

Receipts for fiscal year ended 2004 were below expected amounts, thus the County entered into an agreement with the bank to borrow up to \$1,000,000 on a line of credit in order to pay operating expenses. The County borrowed \$550,000 at a rate of 2.00% which will be repaid with property tax revenues prior to the maturity date of December 31, 2004. The unused portion of the line of credit agreement at September 30, 2004 is \$450,000.

Changes in short-term obligations for the year ended September 30, 2004, are as follows:

	<u>October 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2004</u>
Line of credit agreement	\$ <u>375,000</u>	\$ <u>550,000</u>	\$ <u>375,000</u>	\$ <u>550,000</u>

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

NOTE I - 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, 2004.

	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Capital leases	\$ 8,300,301 ✓	\$ --	\$ 3,332,719	✓ \$ 4,967,582 ✓	\$ 767,999 ✓
Bonds payable	17,738,303 ✓	--	1,806,396	✓ 15,931,907 ✓	3,859,083 ✓
Compensated absences	514,857 ✓	15,725	123,157	407,425 ✓	391,700 ✓
	<u>\$26,553,461</u>	<u>\$ 15,725</u>	<u>\$ 5,262,272</u>	<u>\$21,306,914</u>	<u>\$ 5,018,782</u>
BUSINESS-TYPE ACTIVITIES					
Landfill:					
Capital leases	\$ 890,039 ✓	\$ --	\$ 209,045	✓ \$ 680,994 ✓	\$ 217,595
Landfill closure/ postclosure costs	<u>2,915,444</u> ✓	<u>274,104</u>	<u>--</u>	<u>3,189,548</u> ✓	<u>103,510</u>
	<u>\$ 3,805,483</u>	<u>\$ 274,104</u>	<u>\$ 209,045</u>	<u>\$ 3,870,542</u>	<u>\$ 321,105</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, 2004, are as follows:

Year ending September 30,	Governmental Activities	
	Bonds	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 3,859,083	\$ 400,819
2006	3,926,616	308,213
2007	4,015,431	205,019
2008	<u>4,130,777</u>	<u>90,156</u>
	<u>\$15,931,907</u> ✓	<u>\$ 1,004,207</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 <u>Landfill</u>	<u>Total</u>
Buildings	\$ 3,562,705	\$ --	\$ 3,562,705
Vehicles and equipment	6,960,982	765,270	7,726,252
Total capital lease assets	<u>10,523,687</u>	<u>765,270</u>	<u>11,288,957</u>
Accumulated amortization	3,164,915	319,335	3,484,250
Capital lease assets, net	<u>\$ 7,358,772</u>	<u>\$ 445,935</u>	<u>\$ 7,804,707</u>

Future minimum lease payments at September 30, 2004, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities Landfill</u>
2005	\$ 862,134	\$ 245,773
2006	845,268	245,773
2007	695,053	246,518
2008	707,024	--
2009	719,355	--
2010-2014	<u>2,295,585</u>	<u>--</u>
Total minimum lease payments	6,124,419	738,064
Less: Deferred interest	(1,156,837)	(57,070)
Present value minimum lease payments	<u>\$ 4,967,582</u> ✓	<u>\$ 680,994</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 J - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

For the year ended September 30, 2004, the County had no material excess of expenditures over appropriations in individual funds.

J.3 *Deficit Fund Balances*

The landfill had a deficit fund balance of \$123,966 at September 30, 2004. This deficit will be eliminated through future charges for services.

The fire and rescue fund had a deficit fund balance of \$201,874 at September 30, 2004. This deficit will be eliminated through future charges for services.

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

NOTE K - 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 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 judgment, 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 L - CLAIMS AND JUDGMENTS

The County participates in a number of federal, state, and county programs that are fully 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, 2004, 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 M - 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

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

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, 2004, the County had incurred a liability of approximately \$348,097 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 18 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$1,585,800 which will be recognized as the remaining capacity is used (estimated to be approximately 8 years).

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, 2004, a liability for closure and postclosure care costs is recorded in the amount of \$2,841,451, 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 N- 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 O - 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	\$ 177,402
Capital assets	<u>4,223,121</u>
TOTAL ASSETS	<u>4,400,523</u>

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

LIABILITIES	\$ 322,221
Current liabilities	652,831
Due to other funds	<u>3,549,437</u>
Noncurrent liabilities	
TOTAL LIABILITIES	<u>4,524,489</u>
NET ASSETS	
Invested in capital assets, net of related debt	352,579
Unrestricted net assets	<u>(476,545)</u>
TOTAL NET ASSETS	<u>\$ (123,966)</u>

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

Landfill usage fees	\$ 1,387,679
Depreciation expense	(835,716)
Other operating expenses	<u>(1,450,184)</u>
Operating income (loss)	<u>(898,221)</u>
Nonoperating revenues (expenses)	
Interest revenues	443
Miscellaneous	4
Interest expense	<u>(36,729)</u>
Total nonoperating revenues (expenses)	<u>(36,282)</u>
Change in net assets	(934,503)
Beginning net assets	810,537
Ending net assets	<u>\$ (123,966)</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	\$ 411,015
Operating activities	4
Noncapital financing activities	(415,828)
Capital and related financing activities	443
Investing activities	<u>(4,366)</u>
Net increase (decrease)	4,784
Beginning cash and cash equivalents	<u>418</u>
Ending cash and cash equivalents	<u>\$ 418</u>

REQUIRED SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 September 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 3,412,500	\$ 3,805,385	\$ 3,805,385	\$ --
Other taxes	5,837,000	6,230,882	6,230,882	--
Licenses and permits	56,600	128,423	128,423	--
Intergovernmental	1,083,957	662,895	662,895	--
Charges for services	576,000	686,404	686,404	--
Fines and forfeitures	1,534,500	1,811,534	1,811,534	--
Investment income	1,500	2,189	2,189	--
Contributions and donations	--	207,227	207,227	--
Miscellaneous	1,264,700	977,222	977,222	--
Total revenues	<u>13,766,757</u>	<u>14,512,161</u>	<u>14,512,161</u>	<u>--</u>
EXPENDITURES				
Current:				
General government				
Governing body	553,900	923,135	923,135	--
Elections	188,800	165,671	165,671	--
Accounting	199,800	104,908	104,908	--
Licensing	8,100	7,439	7,439	--
Data processing	53,500	57,551	57,551	--
Tax commissioner	450,600	610,957	610,957	--
Tax assessor	432,000	512,509	512,509	--
Board of equalization	5,500	2,494	2,494	--
General government buildings and plant	593,100	855,842	855,842	--
Marsh Warthen house	--	1,657	1,657	--
Records management	66,800	66,467	66,467	--
General administration fees	12,100	10,366	10,366	--
Judicial				
Clerk of courts	434,200	565,931	565,931	--
Superior court	290,000	489,912	489,912	--
District attorney	432,429	338,172	338,172	--
State court	192,000	206,299	206,299	--
State court solicitor	129,500	145,265	145,265	--
Magistrate court	217,600	271,724	271,724	--
Probate court	165,500	184,150	184,150	--
Juvenile court	193,800	194,997	194,997	--
Grand jury	600	778	778	--
Public defender	--	252	252	--
Court reporter	57,800	62,187	62,187	--
Bailiff	6,000	11,143	11,143	--
Sheriff				
County Police	225,700	229,621	229,621	--
Law enforcement administration	615,753	358,966	358,966	--
Criminal investigation	617,983	589,461	589,461	--
Vice control	--	1,396	1,396	--
Patrol	1,302,418	1,526,798	1,526,798	--
Custody of prisoners	1,272,607	1,613,185	1,613,185	--
DARE program	168,177	93,647	93,647	--
Traffic control	120,700	--	--	--
Training	61,202	49,175	49,175	--
Special detail services	4,060	2,886	2,886	--
Sheriff's office and building	76,544	93,542	93,542	--
Court services	598,059	632,635	632,635	--
Adult probation and parole	14,900	--	--	--
Public safety				
Coroner/medical examiner	45,300	57,898	57,898	--
Animal control	84,200	117,287	117,287	--
Emergency management	--	32	32	--

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 September 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public works				
Highways and streets administration	\$ 177,834	\$ 518,878	\$ 518,878	\$ --
Paved street	955,026	(37,834)	(37,834)	--
Other maintenance	508,322	594,251	594,251	--
Bridges, viaducts, and grade separations	18,010	3,152	3,152	--
Traffic engineering	105,797	98,548	98,548	--
Stormwater collection and disposal	--	47,494	47,494	--
Maintenance and shop	352,605	352,016	352,016	--
Health and welfare				
Health	267,900	73,055	73,055	--
Public health administration	--	223,506	223,506	--
Mosquito control	5,500	9,928	9,928	--
Ambulance services	160,000	157,500	157,500	--
Indigent medical care	1,000	6	6	--
Health department building and plant	--	6,747	6,747	--
Welfare	52,000	(4,487)	(4,487)	--
Welfare administration	--	10,750	10,750	--
Children's Crisis Center	--	10,000	10,000	--
Intergovernmental welfare payments	--	74,394	74,394	--
Other welfare assistance	--	600	600	--
DFCS building and plant	--	14,424	14,424	--
Vendor welfare payments	12,300	654	654	--
Meals on wheels	51,900	56,729	56,729	--
Civic center	150,200	164,889	164,889	--
Senior citizens center	--	3,151	3,151	--
Transportation services	335,580	--	--	--
Culture and recreation				
Special recreational facilities	40,900	50,851	50,851	--
Agricultural center	16,800	12,968	12,968	--
Historical preservation	--	2,777	2,777	--
Library administration	129,000	118,630	118,630	--
Housing and development				
County agent	70,900	60,108	60,108	--
Forest resources	6,300	9,369	9,369	--
Planning and zoning	109,400	148,528	148,528	--
Economic development	86,000	81,720	81,720	--
Debt Service:				
Interest	--	760	760	--
Total expenditures	<u>13,504,506</u>	<u>14,020,397</u>	<u>14,020,397</u>	<u> </u>
Excess revenues over (under) expenditures	<u>262,251</u>	<u>491,764</u>	<u>491,764</u>	<u> </u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(262,251)	(760,518)	(760,518)	--
Sale of capital asset	--	73,211	73,211	--
Total other financing uses	<u>(262,251)</u>	<u>(687,307)</u>	<u>(687,307)</u>	<u> </u>
Excess of revenues and other sources over (under) expenditures and other uses	--	(195,543)	(195,543)	--
Fund balance - beginning of year	4,029,471	4,029,471	4,029,471	--
Prior period adjustments:				
Changes in accounting principles: Reclassification of funds	--	(25,844)	(25,844)	--
Fund balance - end of year	<u>\$ 4,029,471</u>	<u>\$ 3,808,084</u>	<u>\$ 3,808,084</u>	<u>\$ </u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 FIRE & RESCUE FUND
 September 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Charges for services	\$ 1,470,000	\$ 1,580,868	\$ 1,580,868	--
Investment income	1,500	1,795	1,795	--
Miscellaneous	<u> --</u>	<u>1,621</u>	<u>1,621</u>	<u> --</u>
Total revenues	<u>1,471,500</u>	<u>1,584,284</u>	<u>1,584,284</u>	<u> --</u>
EXPENDITURES				
Current:				
Public safety	1,471,464	1,444,412	1,444,412	--
Debt Service:				
Principal retirement	--	168,268	168,268	--
Interest	<u> --</u>	<u>192,371</u>	<u>192,371</u>	<u> --</u>
Total expenditures	<u>1,471,464</u>	<u>1,805,051</u>	<u>1,805,051</u>	<u> --</u>
Excess revenues over (under) expenditures	<u> 36</u>	<u>(220,767)</u>	<u>(220,767)</u>	<u> --</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u> --</u>	<u>(350)</u>	<u>(350)</u>	<u> --</u>
Total other financing (uses)	<u> --</u>	<u>(350)</u>	<u>(350)</u>	<u> --</u>
Excess of revenues and other sources over (under) expenditures and other uses	36	(221,117)	(221,117)	--
Fund balance - beginning of year	<u>19,243</u>	<u>19,243</u>	<u>19,243</u>	<u> --</u>
Fund balance - end of year	<u>\$ 19,279</u>	<u>\$ (201,874)</u>	<u>\$ (201,874)</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA
 DEFINED BENEFIT PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN
 September 30, 2004

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)
01/01/95	\$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%
01/01/04	4,663,473	5,258,586	595,113	88.7%	7,045,250	8.4%

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, 2004

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
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
01/01/04	650,888	650,888	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	1/1/2004
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%

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

Effective January 1, 2004, the plan was amended to extend early retirement with unreduced benefit to those age 55 with 25 years of service. All other assumptions and methods remain unchanged.

SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2004

	<u>Total Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash	\$ 198,330	\$ 161,378	\$ 359,708
Restricted cash	43,153	--	43,153
Accounts receivable	83,099	--	83,099
Due from other funds	117,582	348,567	466,149
Due from other governments	499,290	--	499,290
Prepaid expenses	<u>2,784</u>	<u>--</u>	<u>2,784</u>
TOTAL ASSETS	<u>\$ 944,238</u>	<u>\$ 509,945</u>	<u>\$1,454,183</u> ✓
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 49,506	\$ --	\$ 49,506
Due to other funds	459,597	--	459,597
Due to other governments	--	2,648	2,648
Deferred revenue	<u>24,007</u>	<u>--</u>	<u>24,007</u>
TOTAL LIABILITIES	<u>533,110</u>	<u>2,648</u>	<u>535,758</u> ✓
 FUND BALANCES			
Unreserved, reported in:			
Special revenue funds	411,128	--	411,128
Capital projects funds	<u>--</u>	<u>507,297</u>	<u>507,297</u>
TOTAL FUND BALANCES	<u>411,128</u>	<u>507,297</u>	<u>918,425</u> ✓
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 944,238</u>	<u>\$ 509,945</u>	<u>\$1,454,183</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2004

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Other taxes	\$ --	\$ 10,590	\$ 10,590
Intergovernmental	2,022,972	--	2,022,972
Charges for services	735,188	--	735,188
Fines and forfeitures	128,667	--	128,667
Investment income	511	3,485	3,996
Rental income	80,831	--	80,831
Contributions and donations	37,965	--	37,965
Miscellaneous	30,147	--	30,147
Total	<u>3,036,281</u>	<u>14,075</u>	<u>3,050,356</u> ✓
EXPENDITURES			
CURRENT			
General government	--	35,278	35,278
Judicial	302,003	--	302,003
Sheriff	52,794	--	52,794
Public safety	1,476,684	--	1,476,684
Public works	862,065	379,944	1,242,009
Health and welfare	355,542	19,387	374,929
Culture and recreation	217,671	46,867	264,538
DEBT SERVICE			
Principal	145,062	--	145,062
Interest	5,988	--	5,988
Intergovernmental payments	--	2,647	2,647
Total	<u>3,417,809</u>	<u>484,123</u>	<u>3,901,932</u> ✓
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(381,528)	(470,048)	(851,576) ✓
OTHER FINANCING SOURCES (USES)			
Transfers in	759,620	1,248	760,868
Proceeds from capital leases	1,073	--	1,073
TOTAL OTHER FINANCING SOURCES (USES)	<u>760,693</u>	<u>1,248</u>	<u>761,941</u> ✓
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	379,165	(468,800)	(89,635) ✓
FUND BALANCES - BEGINNING OF YEAR	39,210	976,097	1,015,307
Prior period adjustments:			
Changes in accounting principle:			
Reclassification of funds	25,844	--	25,844
Correction of errors	(33,091)	--	(33,091)
FUND BALANCES - END OF YEAR	<u>\$ 411,128</u>	<u>\$ 507,297</u>	<u>\$ 918,425</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2004

	911	Law Library	Court Supervision	Greenspace Grant	Connection	Forfeiture	Multiple Grant	Lookout Mtn. Drug Task Force	Food Pantry	Total
ASSETS										
Cash	\$	11,390	36,234	\$	97,124	\$	323	46,273	6,986	198,330
Restricted cash	--	--	--	--	--	--	--	43,153	--	43,153
Accounts receivable	83,099	--	--	--	--	33,727	83,855	--	--	83,099
Due from other funds	--	--	--	--	--	--	--	--	--	117,582
Due from other governments	--	--	--	--	80,561	--	308,437	110,292	--	499,290
Prepaid expenses	--	--	--	--	--	--	2,784	--	--	2,784
TOTAL ASSETS	\$83,099	\$11,390	\$36,234	\$	\$177,685	\$33,727	\$395,399	\$199,718	\$6,986	\$944,238
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	\$	--	--	\$	--	\$	6,385	43,121	--	49,506
Due to other funds	83,099	--	--	--	155,376	--	200,164	14,373	6,585	459,597
Deferred revenue	--	--	--	--	--	--	24,007	--	--	24,007
TOTAL LIABILITIES	83,099	--	--	--	155,376	--	230,556	57,494	6,585	533,110
Unreserved, reported in:										
Special revenue funds	--	11,390	36,234	--	22,309	33,727	164,843	142,224	401	411,128
TOTAL FUND BALANCES	--	11,390	36,234	--	22,309	33,727	164,843	142,224	401	411,128
TOTAL LIABILITIES AND FUND BALANCE	\$83,099	\$11,390	\$36,234	\$	\$177,685	\$33,727	\$395,399	\$199,718	\$6,986	\$944,238

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2004

	911	Law Library	Court Supervision	Greenspace Grant	Connection	Forfeiture	Multiple Grant	Lookout Mtn. Drug Task Force	Food Pantry	Total
REVENUES	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental	735,188	--	--	199,171	3318,495	--	1,246,805	258,501	--	2,022,972
Charges for services	--	--	--	--	--	--	--	--	--	735,188
Fines and forfeitures	--	42,445	8,345	--	--	10,163	--	67,714	--	128,667
Investment income	--	222	168	--	--	--	4	117	--	511
Rental income	--	--	--	--	--	--	80,831	--	--	80,831
Contributions and donations	--	--	--	--	37,965	--	--	--	--	37,965
Miscellaneous	--	--	--	--	--	9,704	--	50	20,393	30,147
Total	<u>735,188</u>	<u>42,667</u>	<u>8,513</u>	<u>199,171</u>	<u>356,460</u>	<u>19,867</u>	<u>1,327,640</u>	<u>326,382</u>	<u>20,393</u>	<u>3,036,281</u>
EXPENDITURES										
CURRENT										
Judicial	--	37,624	3,743	--	--	11,984	248,652	--	--	302,003
Sheriff	--	--	--	--	--	--	52,794	--	--	52,794
Public safety	847,738	--	--	--	--	--	444,788	184,158	--	1,476,684
Public works	--	--	--	--	--	--	862,065	--	--	862,065
Health and welfare	--	--	--	--	335,550	--	--	--	19,992	355,542
Culture and recreation	--	--	--	199,671	--	--	18,000	--	--	217,671
DEBT SERVICE										
Principal	145,062	--	--	--	--	--	--	--	--	145,062
Interest	5,988	--	--	--	--	--	--	--	--	5,988
Total	<u>998,788</u>	<u>37,624</u>	<u>3,743</u>	<u>199,671</u>	<u>335,550</u>	<u>11,984</u>	<u>1,626,299</u>	<u>184,158</u>	<u>19,992</u>	<u>3,417,809</u>
Excess of revenues over (under) expenditures	<u>(263,600)</u>	<u>5,043</u>	<u>4,770</u>	<u>(500)</u>	<u>20,910</u>	<u>7,883</u>	<u>(298,659)</u>	<u>142,224</u>	<u>401</u>	<u>(381,528)</u>
Other financing sources (uses)										
Transfers in	295,618	--	--	500	--	--	463,502	--	--	759,620
Proceeds from capital leases	1,073	--	--	--	--	--	--	--	--	1,073
Total other financing sources (uses)	<u>296,691</u>	<u>--</u>	<u>--</u>	<u>500</u>	<u>--</u>	<u>--</u>	<u>463,502</u>	<u>--</u>	<u>--</u>	<u>760,693</u>
Excess of revenues and other sources over (under) expenditures and other uses	33,091	5,043	4,770	--	20,910	7,883	164,843	142,224	401	379,165
Fund balances - beginning of year	--	6,347	31,464	--	1,399	--	--	--	--	39,210
Prior period adjustments:										
Changes in accounting principle:										
Reclassification of funds	--	--	--	--	--	25,844	--	--	--	25,844
Correction of errors	(33,091)	--	--	--	--	--	--	--	--	(33,091)
Fund balances - end of year	<u>\$</u>	<u>\$ 11,390</u>	<u>\$ 36,234</u>	<u>\$</u>	<u>\$ 22,309</u>	<u>\$ 33,727</u>	<u>\$ 164,843</u>	<u>\$ 142,224</u>	<u>\$ 401</u>	<u>\$ 411,128</u>

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 September 30, 2004

	<u>Children's Shelter</u>	<u>Senior Center</u>	<u>SPLOST III</u>	<u>Total</u>
ASSETS				
Cash	\$ --	\$ --	\$ 161,378	\$ 161,378
Due from other funds	_____ --	_____ --	_____ 348,567	_____ 348,567
TOTAL ASSETS	\$ _____ --	\$ _____ --	\$ _____ 509,945	\$ _____ 509,945 ✓
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other governments	\$ _____ --	\$ _____ --	\$ 2,648	\$ 2,648
TOTAL LIABILITIES	_____ --	_____ --	_____ 2,648	_____ 2,648 ✓
FUND BALANCES				
Unreserved, reported in: Capital projects funds	_____ --	_____ --	_____ 507,297	_____ 507,297
TOTAL FUND BALANCES	_____ --	_____ --	_____ 507,297	_____ 507,297 ✓
TOTAL LIABILITIES AND FUND BALANCE	\$ _____ --	\$ _____ --	\$ _____ 509,945	\$ _____ 509,945 ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Year Ended September 30, 2004

	<u>Children's Shelter</u>	<u>Senior Center</u>	<u>SPLOST III</u>	<u>Total</u>
REVENUES				
Other taxes	\$ --	\$ --	\$ 10,590	\$ 10,590
Investment income	<u> --</u>	<u> --</u>	<u> 3,485</u>	<u> 3,485</u>
Total	<u> --</u>	<u> --</u>	<u> 14,075</u>	<u> 14,075</u> ✓
EXPENDITURES				
Current				
General government	--	--	35,278	35,278
Public works	--	--	379,944	379,944
Health and welfare	3,698	15,689	--	19,387
Culture and recreation	--	--	46,867	46,867
Intergovernmental payments	<u> --</u>	<u> --</u>	<u> 2,647</u>	<u> 2,647</u>
Total	<u> 3,698</u>	<u> 15,689</u>	<u> 464,736</u>	<u> 484,123</u> ✓
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,698)	(15,689)	(450,661)	(470,048) ✓
OTHER FINANCING SOURCES				
Transfers in	<u> 452</u>	<u> 796</u>	<u> --</u>	<u> 1,248</u>
TOTAL OTHER FINANCING SOURCES	<u> 452</u>	<u> 796</u>	<u> --</u>	<u> 1,248</u> ✓
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,246)	(14,893)	(450,661)	(468,800)
Fund balances - beginning of year	<u> 3,246</u>	<u> 14,893</u>	<u> 957,958</u>	<u> 976,097</u>
Fund balances - end of year	\$ <u> --</u>	\$ <u> --</u>	\$ <u> 507,297</u>	\$ <u> 507,297</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 September 30, 2004

	<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	\$ 1,064,051	\$ 831,543	\$ 58,413	\$ 14,611	\$ 394,613	\$ 2,363,231
TOTAL ASSETS	<u>1,064,051</u>	<u>831,543</u>	<u>58,413</u>	<u>14,611</u>	<u>394,613</u>	<u>2,363,231</u>
LIABILITIES						
Accounts payable	4,462	--	--	--	--	4,462
Due to other governments	1,059,589	193,968	--	14,611	394,613	1,662,781
Due to heirs, litigants, and others	--	637,575	58,413	--	--	695,988
TOTAL LIABILITIES	<u>1,064,051</u>	<u>831,543</u>	<u>58,413</u>	<u>14,611</u>	<u>394,613</u>	<u>2,363,231</u>
NET ASSETS	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA
 STATEMENT OF REVENUES AND EXPENDITURES TO BUDGET
 FAMILY CONNECTION PROGRAM
 CONTRACT 427-93-45126

CONTRACT PERIOD: JULY 1, 2003 - JUNE 30, 2004

<u>Expense Type</u>	<u>Family Connection Budget</u>	<u>Contract Expenditures</u>	<u>(Over)/Under Budget</u>
Personal services	\$ 17,120	\$ 17,120	\$ --
Regular operating	5,556	1,354	4,202
Travel - staff	2,293	2,357	(64)
Equipment	2,500	2,299	201
Per diem, fees, and contracts	15,600	15,422	178
Telecommunications	1,931	2,082	(151)
Other support to customers	<u>5,000</u>	<u>4,531</u>	<u>469</u>
Total	<u>\$ 50,000</u>	<u>\$ 45,165</u>	<u>\$ 4,835</u>

WALKER COUNTY, GEORGIA
 GEORGIA COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM
 CHILDREN'S EMERGENCY CENTER
 01p-y-146-1-2531
 For the Year Ended September 30, 2004

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>	<u>Latest Approved Budget</u>	<u>Expenditures of CDBG Funds to 9/30/04</u>
Abused and neglected Childrens' facilities	P-03Q-00	\$449,883	\$449,883
Administration	A-21A-00	26,000	26,000
Contingencies	C-022-00	<u>24,117</u>	<u>24,117</u>
		<u>\$500,000</u>	<u>\$500,000</u>

COMPLIANCE

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

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, 2004, 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 February 11, 2005. 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.

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 an opinion 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 affect 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 02-1 through 04-7.

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 caused by error or fraud 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 04-2, 04-5 and 04-7 to be material weaknesses.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 04-3 and 04-6.

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.

Burk, Ruffner, Nelson, Higgins, PLLC

Chattanooga, Tennessee
February 11, 2005

**BURK:PEARLMAN
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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, 2004. 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, 2004. 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, 2004.

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 caused by error or fraud 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 Homeland Security, 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.

Burt, Pappas, Nelson, Higgins, PLLC

Chattanooga, Tennessee
February 11, 2005

WALKER COUNTY, GEORGIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2004

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		\$ 138,119
Direct Award			
Local Law Enforcement Block Grant	16.592		8,818
Passed through State Council of Juvenile Court Judges			
Purchase of services for Juvenile Offenders Program	16.523	02B-CM-0003 03B-ST-0001 01B-ST-0005	76,342
Passed through State Criminal Justice Coordinating Council			
Victims of Crime Act (VOCA)	16.575	C03-8-131	64,414
Passed through State Criminal Justice Coordinating Council			
Domestic Violence (VAWA)	16.588	W02-8-040	<u>62,124</u>
			<u>349,817</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			
U. S. DEPARTMENT OF TRANSPORTATION			
Passed through State Department of Transportation			
Transit Operating Assistance	20.509	MTG00-0114-00-100 MTG00-0119-00-91	522,635
Passed through Governor's Office of Highway Safety Mobile Intox	20.600	2004-146-402PS	7,116
Passed through Governor's Office of Highway Safety Traffic Accident Prevention	20.604	2004-146-1570P	<u>35,881</u>
			<u>565,632</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Direct Award			
Assistance to Firefighters Grant Program for Fire Prevention	83.554		5,004
Passed through Georgia Emergency Management Agency Local all hazards emergency planning agreement	83.562		<u>2,191</u>
			<u>7,195</u>
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			
DEPARTMENT OF EDUCATION			
Passed through Georgia Department of Education Even Start - State Educational Agencies	84.213		<u>172,297</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
Direct Award			
Public Heartland Social Services Emergency Fund	93.003		<u>10,562</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency State homeland security grant program	97.004	2003-MU-T3-0010	306,591
Passed through Georgia Emergency Management Agency Office of Domestic Preparedness, State Homeland Security	97.067	2004-GE-T4-0012	<u>95,000</u>
			<u>401,591</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			
			<u>\$1,507,094</u>
TOTAL FEDERAL ASSISTANCE			

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2004

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, 2004

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

- 01-4 Previously reported corrective action plan implemented. The finding is closed.
- 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.
- 03-1 Previously reported corrective action plan implemented. The finding is closed.
- 03-2 Previously reported corrective action plan implemented. The finding is enclosed.

WALKER COUNTY, GEORGIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended September 30, 2004

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes No
 Reportable condition(s) identified that are not considered to be material weaknesses? Yes 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 No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
20.509	U.S. Department of Transportation Transit Operating Assistance
97.004	U.S. Department of Homeland Security Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee? Yes No

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS

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.

Views of Responsible Officials: The officials concur with the finding.

Finding 04-1:

Condition. The petty cash account in the Commissioner's office is being used by employees to cash personal checks. These checks are then being held for lengthy periods of time before being deposited in the bank.

Criteria: Internal control procedures should be in place to provide reasonable assurance that petty cash funds are being used for their stated purposes.

Effect: Lack of these procedures could result in loss of revenues to the County and missing funds going undetected.

Recommendation: Internal control procedures must be implemented to ensure that County employees no longer use the petty cash fund to cash personal checks and no checks should be received by the petty cash fund.

Views of Responsible Officials: The officials concur with the finding.

Finding 04-2:

Condition: The payroll department is not being provided with sufficient documentation pertaining to employee leave. The separate County departments are not properly reporting leave of their respective employees. Records should be maintained of leave days earned, used, carried over, and expired. Each department must report this information to the payroll department when time sheets are turned in for each pay period.

Criteria: Procedures should be in place to facilitate centralized recordkeeping of County employees' leave.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2004
(Continued)

Effect: Due to the lack of adequate documentation and inadequate internal control procedures, there is a possibility that employees are taking more leave than they are allowed and the County is paying them for this time off.

Recommendation: A centralized system of record keeping for leave should be established. We recommend that all supporting documentation for leave days be provided to the payroll department before payroll checks are released.

Views of Responsible Officials: The officials concur with the finding.

Finding 04-3:

Condition: SPLOST funds were used to pay scheduled lease payments on two capital leases. These are not allowed expenditures under SPLOST. Upon discovery of the unallowed expenditures, the SPLOST fund was repaid by the appropriate fund.

Criteria: Procedures should be in place to ensure expenditures made by SPLOST are proper and authorized.

Effect: These expenditures placed the County in violation of the SPLOST agreement.

Recommendation: Internal control procedures must be implemented to ensure that expenditures made by SPLOST are proper under the SPLOST agreement. The SPLOST funds paid for the leases should be reimbursed by the appropriate funds.

Views of Responsible Officials: The officials concur with the finding.

Finding 04-4:

Condition: The Clerk of Court's office does not have adequate procedures to maintain reconciliations between individual cash to secure balances and the cash to secure account.

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

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

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

Views of Responsible Officials: The officials concur with the finding.

Finding 04-5:

Condition: The Tax Commissioner's office does not employ sufficient internal control procedures for cash disbursements.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2004
(Continued)

Criteria: Procedures should be in place to facilitate the department in reconciling the cash disbursements journal to the revenue reports on a monthly basis.

Effect: Due to the lack of proper procedures, the department has no method to ensure the proper amounts are being disbursed to the various funds or government agencies.

Recommendation: Procedures should be implemented to reconcile the cash disbursements journal on a monthly basis to the revenue reports.

Views of Responsible Officials: The officials concur with the finding.

Finding 04-6:

Condition: A central office to account for and maintain records for all grant and award programs needs to be established.

Criteria: Internal control procedures should be implemented to assure that the compliance requirements on all grants are adhered to and properly monitored. Additionally, procedures should be in place to ensure that all required documentation is centrally located.

Effect: Due to inadequate supervision and monitoring of decentralized program operations, the accounting records were not appropriately maintained. Resulting noncompliance with grant requirements may result in future grant losses.

Recommendation: We recommend that one individual be in charge of and maintain the accounting records on all grant and award programs. This grant coordinator should be responsible for obtaining and verifying all compliance issues in each grant and, if necessary, advise the departments when they are not in compliance with grant regulations. The accounting system should provide for accumulating and recording expenditures by grant and cost category as shown in the approved budget. Also, grant and award programs should be posted properly and reconciled to the general ledger on a monthly basis. When grant or award money is received, a copy of such receipt and documentation should be sent to the appropriate department and grant coordinator.

Views of Responsible Officials: The officials concur with the finding.

Finding 04-7:

Condition: The payroll department currently has no internal control procedures in place to verify changes made to employee information are correct and appropriate.

Criteria: Internal control procedures should be in place to monitor all changes made to employee records.

Effect: Due to lack of proper procedures, errors in pay rates and other employee information may be unnoticed, conceivably costing the County additional money.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2004
(Continued)

Recommendation: We recommend that all information concerning changes to an employee record be submitted to the payroll department in writing. We also recommend that the County Clerk be responsible for verifying this information after it is entered by the payroll department. A password protected report can be generated from the payroll system as an edit check that the Clerk can verify back to the written change documentation.

Views of Responsible Officials: The officials concur with the finding.

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, 2004

Project	Expenditures			Estimated Percentage of Completion	
	Original Estimated Cost	Prior Years	Current Year		Total
Water and sewer	\$ 1,600,000	\$ 2,043,542	\$ --	\$ 2,043,542	100%
C & D landfill	5,900,000	3,563,000	--	3,563,000	95
Recreation	1,700,000	943,841	46,867	990,708	60
Renovation of courthouse	1,200,000	1,073,069	--	1,073,069	100
New agricultural center	400,000	594,788	--	594,788	100
Renovate, expand jail	1,200,000	1,911,139	--	1,911,139	100
New industrial park	1,000,000	1,291,831	--	1,291,831	100
Roads, streets, and bridges	5,750,000	4,395,232	379,944	4,775,176	90
Furniture, fixtures and equipment	--	--	36,603	36,603	--
Administration	--	29,426	(1,325)	28,101	--
Total for all projects	<u>\$18,750,000</u>	<u>\$15,845,868</u>	<u>\$ 462,089</u>	<u>\$16,307,957</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, 2004

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	178,008	181,952	2
Fire hydrants	500,000	--	--	--	--
Emergency services	4,500,000	102,723	3,452,684	3,555,407	80
Technology	500,000	1,700	346,163	347,863	70
Animal shelter	300,000	--	--	--	--
Historical projects	200,000	265	184,658	184,923	95
Recreation	500,000	--	16,542	16,542	1
Roads, bridges, and road department equipment	4,875,000	102,700	1,296,830	1,399,530	30
Building construction and improvements	250,000	--	314,213	314,213	100
Industrial park improvements	<u>4,000,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total for all projects	<u>\$20,625,000</u>	<u>\$ 211,332</u>	<u>\$ 5,789,098</u>	<u>\$ 6,000,430</u>	

LOCAL GOVERNMENT CORRECTIVE ACTION PLAN REVIEW CHECKLIST

GOVERNMENT: Walker County FYE: 9/30/04
 Date original report received: 7/29/05 Agrees with log Date revisions received: _____ Agrees with log _____

Conclusion

No corrective action plan received.

REVIEWER: Christina Anderson REVIEW DATE: 7/25/05

Our review revealed deficiencies in the corrective action plan. These items are considered material and need to be changed in order for the report to comply with section 36-81-7 of the Official Code of Georgia Annotated.

REVIEWER: Christina Anderson REVIEW DATE: 8/5/05

Our review revealed that the corrective action plan was in substantial compliance with the requirements set forth in section 36-81-7 of the Official Code of Georgia Annotated.

REVIEWER: Christina Anderson REVIEW DATE: 8/22/05

Summary of findings and recommendations requiring corrective action

Each finding and recommendation requires several elements of response to be included in the corrective action plan submitted by the entity. Place a "Y" in the box provided if the entity included the appropriate information. Place a "N" in the box provided if the entity omitted necessary information. Place "N/A" in the box provided if the requirement does not apply.

Current Year, Prior Year Findings and Recommendations (Use Explanations that can be used in letters to Local Government Units)	Year	Page #	NOCAP	1	2	3	4	5	6	7
02-1 <i>Policy set? By whom?</i>	'04	68	Y	Y	NA	Y	NA	NA	NA	NA
04-1	'04	68	Y	Y	NA	Y	NA	NA	NA	NA
04-2	'04	68	Y	Y	NA	Y	NA	NA	NA	NA
04-3 <i>SPLOST Reimbursed Already repaid. See finding.</i>	'04	69	Y	Y	NA	Y	NA	NA	NA	NA
04-4	'04	69	Y	Y	NA	Y	NA	NA	NA	NA
04-5	'04	69	Y	Y	NA	Y	NA	NA	NA	NA
04-6	'04	70	Y	Y	NA	Y	NA	NA	NA	NA
04-7	'04	70	Y	Y	NA	Y	NA	NA	NA	NA

Bebe Heiskell
Walker County Commissioner

101 South Duke Street
Post Office Box 445
LaFayette, Georgia 30728

RECEIVED

JUL 29 2005

DEPT. OF AUDITS
NALGAD

July 26, 2005

Georgia Department of Audits & Accounts
Local Government Audit Section
254 Washington Street, S.W., Suite 322
Atlanta, Georgia 30334-8400

To Whom It May Concern:

Walker County, Georgia submits the following plan for corrective action regarding reportable conditions associated with our internal controls and compliance for the year ended September 30, 2004.

The "Report on Internal Control over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" issued by Burk, Pearlman, Nebben & Huggins, PLLC, on February 11, 2005, referenced instances of noncompliance and reportable conditions. The corrective action taken on these items is as follows:

Finding 02-1
COLLECTION OF ACCOUNTS RECEIVABLE
Landfill

The county does not have a policy for collection of past due accounts receivable or for the suspension of service to customers with delinquent balances in the landfill.

Corrective Action Plan/Management Response

We concur with the recommendation. Currently the landfill manager works with delinquent customers trying to obtain payment with the cutoff of dumping privileges taken as a last resort. We are currently in the process of trying to establish a set policy for treatment of delinquent users of the landfill.

Set?
user?

Finding 04-1
PETTY CASH FUND BEING USED FOR CHECK CASHING

The petty cash fund is being used by employees to cash personal checks. The checks are then being held for lengthy periods of time before being deposited into the bank.

Georgia Department of Audits & Accounts
July 26, 2005

Corrective Action Plan/Management Response

We concur with the recommendation. The petty cash fund custodian is to disallow the cashing of personal checks without the approval of the commissioner. Any personal checks are to be taken to the bank with the next deposit made by the commissioner's office and not held for any reason.

Finding 04-2

INFORMING PAYROLL DEPARTMENT OF PERSONAL LEAVE TIME

Departments within the county are not reporting vacation, sick, and personal time correctly to the payroll department.

Corrective Action Plan/Management Response

We concur with the recommendation. We are attempting to get the cooperation of the various elected officials to report personal time appropriately to the payroll department. The departments that are directly responsible to the commissioner are reporting time appropriately.

Finding 04-3

SPLOST FUNDS

SPLOST funds were used for scheduled lease payments on two capital leases.

Corrective Action Plan/Management Response

We concur with the recommendation. The error was made due to a misunderstanding. It was believed that expenditures for capital lease payments were an allowable SPLOST expenditure. The personnel authorizing payment of SPLOST funds have been advised.

Finding 04-4

CLERK OF COURT OFFICE ACCOUNT RECONCILIATION

Corrective Action Plan/Management Response

We concur with the recommendation. Department personnel have been designated to properly account for the receipt and disbursement of the cash to secure funds. The clerk of court is having his personnel reconcile the existing balance to the current files.

Georgia Department of Audits & Accounts
July 26, 2005

Finding 05-5

TAX COMMISSIONER'S CONTROL OVER CASH DISBURSEMENTS

Corrective Action Plan/Management Response

We concur with the recommendation. The tax commissioner prepares a monthly spreadsheet accounting for total receipts and the disbursement of these funds to the appropriate recipient. The commissioner is to additionally reconcile total receipts per the spreadsheet to total receipts per the bank statement.

Finding 04-6

CENTRALIZED GRANT ACCOUNTING

All grant records should be centrally maintained under the control of a grants coordinator to ensure compliance and proper reporting.

Corrective Action Plan/Management Response

We concur with the recommendation. The finance director is to maintain the accounting records for the grants. Each department that is a recipient of a grant is charged with appointing personnel to ensure compliance.

Finding 04-7

PAYROLL INFORMATION VERIFICATION

The payroll department currently has no internal control procedures to verify changes made to employee information.

Corrective Action Plan/Management Response


The payroll clerk is to complete a standardized form reflecting the information for new employees or changes to existing employee information. The form is to be forwarded to the county clerk who is to verify that the information has been properly reflected in the system. The clerk will sign off on the form to signify that the information was checked. The form will then be placed in the employee file.

Page 4

Georgia Department of Audits & Accounts
July 26, 2005

If you have any questions, please contact Greg McConnell, Finance Officer, at (706) 638-1437.

Sincerely,

A handwritten signature in cursive script that reads "Bebe A. Heiskell".

Bebe A. Heiskell

GHM:aer

Bebe Heiskell
Walker County Commissioner

101 South Duke Street
Post Office Box 445
LaFayette, Georgia 30728

August 11, 2005

Georgia Department of Audits & Accounts
Local Government Audit Section
254 Washington Street, S.W., Suite 322
Atlanta, Georgia 30334-8400

RECEIVED
AUG 16 2005
DEPT. OF AUDITS
NALGAD
164
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Walker County, Georgia submits the following revised plan for corrective action regarding reportable conditions associated with our internal controls and compliance for the year ended September 30, 2004.

The "Report on Internal Control over Financial Reporting And On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" issued by Burk, Pearlman, Nebben & Huggins, PLLC, on February 11, 2005, referenced instances of noncompliance and reportable conditions. The corrective action taken on these items is as follows:

Finding 02-1
COLLECTION OF ACCOUNTS RECEIVABLE
Landfill

The county does not have a policy for collection of past due accounts receivable or for the suspension of service to customers with delinquent balances in the landfill.

Corrective Action Plan/ Management Response

We concur with the recommendation. Currently the landfill manager works with delinquent customers trying to obtain payment with the cutoff of dumping privileges taken as a last resort. A formalized policy for handling delinquent accounts is being finalized. Dumping privileges will be curtailed when accounts become delinquent. The landfill manager will contact the delinquent party requesting prompt payment. Failure to receive payment will result in the account being turned over to the county attorney for legal action.

Finding 04-1
PETTY CASH FUND BEING USED FOR CHECK CASHING

The petty cash fund is being used by employees to cash personal checks. The checks are then being held for lengthy periods of time before being deposited into the bank.

Georgia Department of Audits & Accounts
August 11, 2005

Corrective Action Plan/Management Response

We concur with the recommendation. The petty cash fund custodian is to disallow the cashing of personal checks without the approval of the commissioner. Any personal checks are to be taken to the bank with the next deposit made by the Commissioner's office and not held for any reason.

Finding 04-2

INFORMING PAYROLL DEPARTMENT OF PERSONAL LEAVE TIME

Departments within the county are not reporting vacation, sick and personal time correctly to the payroll department

Corrective Action Plan/Management Response

We concur with the recommendation. We are attempting to get the cooperation of the various elected officials to report personal time appropriately to the payroll department. The departments that are directly responsible to the Commissioner are reporting time appropriately.

Finding 04-3

SPLOST FUNDS

SPLOST funds were used for scheduled lease payments on two capital leases.

Corrective Action Plan/Management Response

We concur with the recommendation. The error was a result of the official coding the invoice for payment believing that a capital lease payment is the same as the purchase of a capital asset. The County Coordinator and the Sole Commissioner are the only two officials that can authorize payments from SPLOST. They have both been advised as to what can be appropriately paid from SPLOST funds. No additional action deemed necessary.

Georgia Department of Audits & Accounts
August 11, 2005

Finding 04-4
CLERK OF COURT OFFICE ACCOUNT RECONCILIATION

Corrective Action Plan/Management Response

We concur with the recommendation. Department personnel have been designated to properly account for the receipt and disbursement of the cash to secure funds. The Clerk of Court is having his personnel reconcile the existing balance to the current files.

Finding 04-5
TAX COMMISSIONER'S CONTROL OVER CASH DISBURSEMENTS

Corrective Action Plan/Management Response

We concur with the recommendation. The Tax Commissioner prepares a monthly spreadsheet accounting for total receipts and the disbursement of these funds to the appropriate recipient. The Commissioner is to additionally reconcile total receipts per the spreadsheet to total receipts per the bank statement.

Finding 04-6
CENTRALIZED GRANT ACCOUNTING

All grant records should be centrally maintained under the control of a grants coordinator to ensure compliance and proper reporting.

Corrective Action Plan/Management Response

We concur with the recommendation. The finance director is to maintain the accounting records for the grants. Each department that is a recipient of a grant is charged with appointing personnel to ensure compliance.

Finding 04-7
PAYROLL INFORMATION VERIFICATION

The payroll department currently has no internal control procedures to verify changes made to employee information.

Page 4

Georgia Department of Audits & Accounts
August 11, 2005

Corrective Action Plan/Management Response

The payroll clerk is to complete a standardized form reflecting the information for new employees or changes to existing employee information. The form is to be forwarded to the County Clerk who is to verify that the information has been properly reflected in the system. The Clerk will sign off on the form to signify that the information was checked. The form will then be placed in the employee file.

If you have any questions, please contact Greg McConnell, Finance Officer, at (706) 638-1437.

Sincerely,

A handwritten signature in cursive script that reads "Bebe A. Heiskell".

Bebe A. Heiskell

GHM:aer