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WALKER COUNTY, GEORGIA

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

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BURK & PEARLMAN
NEBBEN & HUGGINS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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WALKER COUNTY, GEORGIA

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2005

BURK PEARLMAN
NEBBEN & HUGGINS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WALKER COUNTY GEORGIA
ANNUAL FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 2005

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

7030 LEE HIGHWAY • SUITE 202 • CHATTANOOGA, TENNESSEE 37421
TELEPHONE: (423) 490-8500 • FAX: (423) 490-4400
admin@bphcpa.com

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, 2005, 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, 2005, 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 January 10, 2006, 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 49 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 schedule of grant activities on page 64, 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, Peapack, Nelson, Higgins, PLLC

Chattanooga, Tennessee
January 10, 2006

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, 2005. 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, 2005 by \$21,041,332 (Net Assets). Of this amount, \$16,516,643 represented the investment in capital assets net of the related debt. This resulted in unrestricted net assets of \$4,524,689 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 \$593,980. Revenues were insufficient to recoup costs largely due to high depreciation expense and accrued postclosure costs.
- The County's governmental funds reported combining ending fund balances of \$18,699,754, an increase of \$3,155,848 over the prior year fund balance. Of this amount, \$4,923,977 remains in the various funds as unrestricted.
- Debt decreased by \$3,629,643. This was primarily due to bond payments of \$3,859,083, lease payments of \$840,334 and the addition of a short-term tax anticipation note of \$1,425,000.
- The liability for postclosure costs on the MSW landfill was transferred from the proprietary fund to the governmental funds. This is to match the expense with the funds having to support the expenditure. The landfill does not generate sufficient revenue to fund the postclosure costs.

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 12. 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

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS
(Continued)

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 and the construction and demolition landfill.

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 governmental 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.

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS
(Continued)

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 \$21,041,332.

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, 2005, is \$4,524,689 which may be used to meet the County's ongoing obligations.

Net Assets
September 30, 2005 and 2004

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other assets	\$ 18,869,468	\$ 20,421,000	\$ 89,577	\$ 177,402	\$ 18,959,045	\$ 20,598,402
Capital assets	22,889,708	23,080,756	3,756,579	4,223,121	26,646,287	27,303,877
Total assets	41,759,176	43,501,756	3,846,156	4,400,523	45,605,332	47,902,279
Liabilities						
Long-term liabilities	19,654,430	21,306,914	1,018,384	3,871,658	20,672,814	25,178,572
Other liabilities	3,404,992	6,650,936	486,194	652,831	3,891,186	7,303,767
Total liabilities	23,059,422	27,957,850	1,504,578	4,524,489	24,564,000	32,482,339
Net assets						
Invested in capital assets, net of related debt	13,775,777	14,531,210	2,740,866	352,579	16,516,643	14,883,789
Restricted	-	-	-	-	-	-
Unrestricted	4,923,977	1,012,696	(399,288)	(476,545)	4,524,689	536,151
Total net assets	\$ 18,699,754	\$ 15,543,906	\$ 2,341,578	\$ (123,966)	\$ 21,041,332	\$ 15,419,940

Net assets of the County's governmental activities increased by \$3,155,848 while the net assets of the business type activities increased by \$2,465,544. In the governmental funds, the increase was mainly due to the correction of prior period net assets. The County's sole business activity is the Walker County Landfill. The landfill operated at a loss due to closure costs and depreciation expense. The transfer of the large postclosure cost liability for the MSW landfill during fiscal year 2005 resulted in an increase in the net assets of the business type activities.

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS
(Continued)

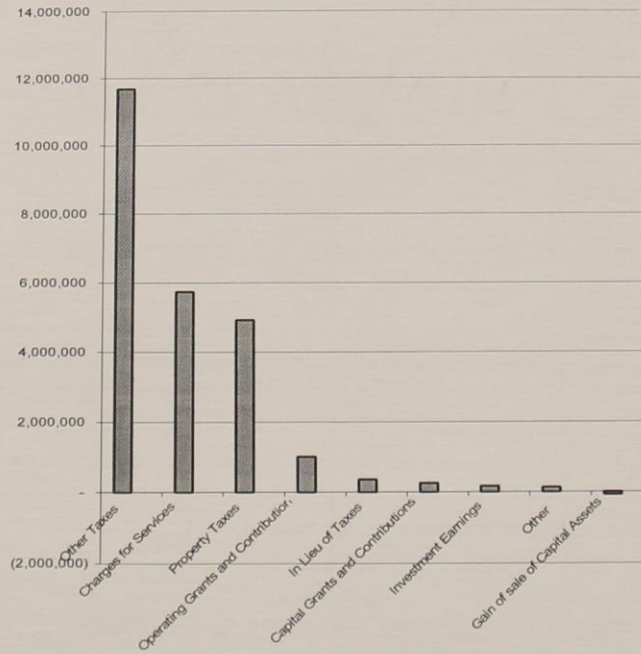
Changes in Net Assets
Year-ended September 30, 2005

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$5,727,933 ✓	\$5,874,475 ✓	\$ 1,631,110 ✓	\$ 1,387,679 ✓	\$ 7,359,043	\$7,262,154
Operating Grants & Contributions	1,009,675 ✓	1,076,179 ✓	--	--	1,009,675	1,076,179
Capital Grants & Contributions	257,042 ✓	984,758 ✓	--	--	257,042	984,758
General Revenues:						
Property Taxes	5,811,070 ✓	3,732,316 ✓	--	--	5,811,070	3,732,316
Other Taxes	11,447,169 ✓	10,832,476 ✓	--	--	11,447,169	10,832,476
Other	803,571 ✓	1,117,833 ✓	982 ✓	447 ✓	804,553	1,118,280
Total Revenues	25,056,460	23,618,037	1,632,092	1,388,126	26,688,552	25,006,163
Expenses:						
General government	3,046,455	3,046,052	--	--	3,046,455	3,046,052
Judicial	2,592,638	2,820,007	--	--	2,592,638	2,820,007
Sheriff	5,622,254	5,187,026	--	--	5,622,254	5,187,026
Public Safety	3,851,749	3,873,838	--	--	3,851,749	3,873,838
Public Works	3,642,540	3,655,967	--	--	3,642,540	3,655,967
Health and Welfare	1,764,848	1,051,034	--	--	1,764,848	1,051,034
Recreation and Culture	394,269	342,506	--	--	394,269	342,506
Housing and Development	323,553	357,815	--	--	323,553	357,815
Intergovernment Payments	199,657	156,626	--	--	199,657	156,626
Interest on Long Term Debt	513,759	599,981	--	--	513,759	599,981
Solid Waste	--	--	2,226,072	2,322,629	2,226,072	2,322,629
Total Expenses	21,951,722 ✓	21,090,852 ✓	2,226,072 ✓	2,322,629 ✓	24,177,794	23,413,481
Increase (decrease) in net assets before transfers	3,104,738 ✓	2,527,185	(593,980)	(934,503)	2,510,758	1,592,682
Transfers	--	--	--	--	--	--
Increase (decrease) in net assets	3,104,738 ✓	2,527,185 ✓	(593,980) ✓	(934,503) ✓	2,510,758	1,592,682
Net assets - October 1 (as restated)	15,595,016 ✓	13,016,721 ✓	2,935,558 ✓	810,537 ✓	18,530,574	13,827,258
Net assets - September 30	\$18,699,754 ✓	\$15,543,906 ✓	\$ 2,341,578 ✓	\$ (123,966) ✓	\$21,041,332	\$15,419,940

Total government wide revenue of \$26,688,552 was comprised of governmental activities (\$25,056,460) and business type activities (\$1,632,092). The following chart illustrates the distribution of the governmental revenue. The revenue of the business type activity was almost solely charges for services. The predominate source of revenue is the other tax category which is primarily Local Option Sales Tax, Special Purpose Local Option Sales Tax and business taxes. Special Purpose Local Option Sales Tax revenue which totaled \$5,178,524 is specifically earmarked and cannot be used to finance the normal operations of the County.

WALKER COUNTY, GEORGIA
 MANAGEMENT DISCUSSION ANALYSIS
 (Continued)

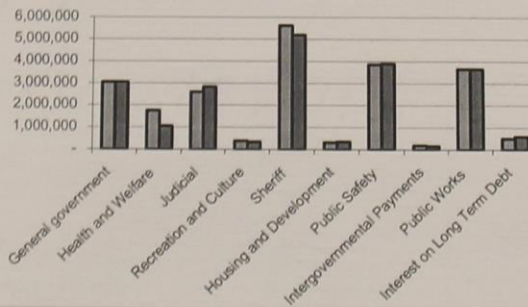
REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Government-wide expenses totaled \$24,177,794 for fiscal year 2005, including governmental activity expense of \$21,951,722 and business type activity expense of \$2,226,072. The following chart provides a visual depiction of expenditures of the governmental activities by function compared to the prior fiscal year. The prior year is the darker column.

WALKER COUNTY, GEORGIA
 MANAGEMENT DISCUSSION ANALYSIS
 (Continued)

**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 \$11,682,534. All but \$14,000 constitutes unreserved fund balance. The remainder of

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS
(Continued)

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 \$4,394,469. The unreserved fund balance increased by \$593,385 during the current year. This increase included operating transfers of \$311,390 to supplement operations of other funds. Among the operating transfers were \$56,700 to E911, \$181,694 to county transportation system and \$72,996 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 represent the government's most important funds. Non-major 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, (\$727,721) and SPLOST 2003, \$7,831,893. The fund balance in Fire and Rescue decreased by \$525,847 and the fund balance in SPLOST 2003 decreased by \$1,724,941. The change in Fire and Rescue was primarily the result of a capital lease payment originally planned to be paid with SPLOST funds and the correction of an error in the prior year (see note B to financial statements). 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 \$1,235,508 and fund budgeted expenditures and other financing uses exceeding actual expenditures by \$417,050. The excess of revenues over budgeted revenues was primarily due to the following revenue categories where actual revenues exceeded budgeted revenues: intergovernmental receipts by \$562,025, licenses and permits \$205,666, other taxes by \$264,651 and charges for services by \$199,466.

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. This savings to general fund expenditures offset most of the excess expenditures generated by the various county departments in the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - The County's investment in capital assets for its governmental funds as of September 30, 2005 totals \$22,889,708 (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 decreased by \$191,048 net of accumulated depreciation.

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

- . Work was begun on a new animal shelter which is being financed with SPLOST funds.
- . CIP at year end was \$491,044 which represented the year to date investment in the Aerial Mapping project of the county's tax parcels.
- . New fueling station was built at Road Department allowing for refueling of county vehicles after normal business hours.

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS
(Continued)

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.

Four transit vans were returned to the Georgia Department of Transportation (GDOT). Ninety percent of the original funding came from GDOT with the agreement calling for the vans to be returned to them when taken out of service. The net book value of the vans at disposition date was \$90,033.

**Capital Assets at Year End
September 30, 2005 and 2004**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2005	2004	2005	2004	2005	2004
Non-depreciable assets:						
Land	\$ 370,443	\$ 370,443	\$ --	\$ --	\$ 370,443	\$ 370,443
Construction in progress	491,044	346,163	213,341	153,202	704,385	499,365
Depreciable assets:						
Buildings and improvements	17,045,219	16,673,983	306,771	306,771	17,351,990	16,980,754
Machinery and equipment	14,360,312	13,684,559	1,227,707	1,200,920	15,588,019	14,885,479
Infrastructure	1,313,281	1,194,240	--	--	1,313,281	1,194,240
C&D Landfill	--	--	4,016,605	4,016,605	4,016,605	4,016,605
Total	33,580,299	32,269,388	5,764,424	5,677,498	39,344,723	37,946,886
Less: accumulated depreciation	(10,690,591)	(9,188,632)	(2,007,845)	(1,454,377)	(12,698,436)	(10,643,009)
Net capital assets	\$ 22,889,708	\$ 23,080,756	\$ 3,756,579	\$ 4,223,121	\$ 26,646,287	\$ 27,303,877

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 \$22,097,813. 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 \$1,425,000 repayable within 60 days from receipt of the life insurance tax. Additionally, the obligation for Landfill postclosure cost increased by \$50,920. SPLOST bonds in the amount of \$3,859,083 matured and were paid from current year SPLOST receipts which are escrowed for this purpose.

WALKER COUNTY, GEORGIA
MANAGEMENT DISCUSSION ANALYSIS
(Continued)

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 12,072,824	\$ 15,931,907	\$ --	\$ --	\$ 12,072,824	\$ 15,931,907
Lease Obligations	4,344,843	4,967,582	463,399	680,994	4,808,242	5,648,576
Notes Payable	1,425,000	550,000	--	--	1,425,000	550,000
Compensated Absences	441,992	407,425	2,671	--	444,663	407,425
Landfill Closure Costs	2,794,770	--	552,314	3,189,548	3,347,084	3,189,548
Totals	\$ 21,079,429	\$ 21,856,914	\$ 1,018,384	\$ 3,870,542	\$ 22,097,813	\$ 25,727,456

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

ECONOMIC FACTORS AND THE 2006 BUDGET

The fiscal year ended September 30, 2005, saw an increase in the unemployment rate to 4.2% up from 4.1% from the prior year; this is evidence of no major closings or layoffs during fiscal year 2005. The County experienced the sale of one major industry without a loss of jobs. Increased population density has led to a sharp increase in residential and commercial development as evidenced by a master planned community, phase one of which calls for 135+ dwellings as well as a bank and a pharmacy. In addition to this planned bank, there was one bank branch opened during the year and plans made for one other to be opened in the near future. Manufacturing continues to employ the greatest number of individuals with government running second. Local companies are using "lean concepts" in order to stay competitive in the market place. Finally, the County was chosen as a distribution center for a wholesale building supply company. A rail spur is being put in to handle traffic for this supplier as well as for tenants in the industrial park.

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, P.O. Box 445, LaFayette, Georgia 30728.

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
September 30, 2005

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit Health Department
ASSETS				
Cash and cash equivalents	\$ 1,565,686	\$ 418	\$ 1,566,104	\$ 686,628
Restricted cash	155,502	--	155,502	--
Investments	7,211,259	--	7,211,259	--
Receivables:				
Taxes	4,082,411	--	4,082,411	--
Accounts	322,592	89,159	411,751	811
Internal balances	468,109	(468,109)	--	--
Due from other governments	4,647,859	--	4,647,859	115,578
Prepaid expenses	148,053	--	148,053	--
Deferred charges - issuance costs	267,997	--	267,997	--
Capital assets not being depreciated	861,487	213,341	1,074,828	--
Capital assets, net of accumulated depreciation	<u>22,028,221</u>	<u>3,543,238</u>	<u>25,571,459</u>	<u>3,030</u>
TOTAL ASSETS	<u>41,759,176</u>	<u>3,378,047</u>	<u>45,137,223</u>	<u>806,047</u>
LIABILITIES				
Accounts payable and accrued expenses	1,184,448	--	1,184,448	3,699
Short-term debt	1,425,000	--	1,425,000	--
Due to other governments	560,192	--	560,192	54,466
Due to heirs, litigants, and others	50,009	--	50,009	--
Deferred revenue	9,324	--	9,324	--
Accrued interest payable	176,019	18,085	194,104	--
Long-term liabilities -				
Portion due or payable within one year:				
Bonds payable	3,926,616	--	3,926,616	--
Capital leases	626,644	226,651	853,295	--
Compensated absences	244,207	2,671	246,878	--
Landfill closure and postclosure care costs	106,616	--	106,616	--
Portion due or payable after one year:				
Bonds payable	8,146,208	--	8,146,208	--
Capital leases	3,718,200	236,748	3,954,948	--
Compensated absences	197,785	--	197,785	69,746
Landfill closure and postclosure care costs	<u>2,688,154</u>	<u>552,314</u>	<u>3,240,468</u>	<u>--</u>
TOTAL LIABILITIES	<u>23,059,422</u>	<u>1,036,469</u>	<u>24,095,891</u>	<u>127,911</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,775,777	2,740,866	16,516,643	3,030
Unrestricted	<u>4,923,977</u>	<u>(399,288)</u>	<u>4,524,689</u>	<u>675,106</u>
TOTAL NET ASSETS	<u>\$18,699,754</u> ✓	<u>\$ 2,341,578</u> ✓	<u>\$21,041,332</u> ✓	<u>\$ 678,136</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

FUNCTION/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government	\$ 3,046,455	\$1,276,106	\$ --	\$ 23,240	\$(1,747,109)		\$(1,747,109)	
Judicial	2,592,638	1,362,202	309,150	--	(921,286)		(921,286)	
Sheriff	5,622,254	422,253	--	19,532	(5,180,469)		(5,180,469)	
Public safety	3,851,749	2,474,714	21,765	196,360	(1,158,910)		(1,158,910)	
Public works	3,642,540	115,974	64,780	--	(3,461,786)		(3,461,786)	
Health and welfare	1,764,848	76,684	613,980	17,910	(1,056,274)		(1,056,274)	
Culture and recreation	394,269	--	--	--	(394,269)		(394,269)	
Housing and development	323,553	--	--	--	(323,553)		(323,553)	
Intergovernmental payments	199,657	--	--	--	(199,657)		(199,657)	
Interest on long-term debt	513,759	--	--	--	(513,759)		(513,759)	
Total governmental activities	<u>21,951,722</u>	<u>5,727,933</u>	<u>1,009,675</u>	<u>257,042</u>	<u>(14,957,072)</u>		<u>(14,957,072)</u>	
Business-type activities:								
Landfill	<u>2,226,072</u>	<u>1,631,110</u>	--	--	--	\$(594,962)	<u>(594,962)</u>	
Total business-type activities	<u>2,226,072</u>	<u>1,631,110</u>	--	--	--	<u>(594,962)</u>	<u>(594,962)</u>	
Total primary government	<u>\$24,177,794</u>	<u>\$7,359,043</u>	<u>\$1,009,675</u>	<u>\$ 257,042</u>	<u>(14,957,072)</u>	<u>(594,962)</u>	<u>(15,552,034)</u>	
COMPONENT UNIT:								
Walker County Health Department	\$ 1,634,863	\$ 514,831	\$ 908,054	\$ --				\$(211,978)
General Revenues:								
Taxes:								
General property taxes					5,811,070		5,811,070	
General sales and use tax					9,046,883		9,046,883	
Selective sales and use taxes					293,879		293,879	
Business taxes					2,106,407		2,106,407	
Penalties and interest on delinquent taxes					227,304		227,304	
In lieu of taxes					357,881		357,881	
Payment from Walker County					--		--	267,900
Grants and contributions					51,181		51,181	
Unrestricted investment earnings					164,032	982	165,014	3,506
Gain on trade-in of capital assets					(72,353)		(72,353)	
Miscellaneous					--		75,526	1,806
Total general revenues and transfers					<u>18,061,810</u>	<u>982</u>	<u>18,062,792</u>	<u>273,212</u>
Change in net assets					<u>3,104,738</u>	<u>(593,980)</u>	<u>2,510,758</u>	<u>61,234</u>
Net assets - beginning					<u>15,543,906</u>	<u>(123,966)</u>	<u>15,419,940</u>	<u>616,902</u>
Prior period adjustment, reclassification of funds					<u>(3,059,524)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Prior period adjustment, correction of error					<u>3,110,634</u>	<u>--</u>	<u>3,110,634</u>	<u>--</u>
Net assets - beginning, as restated					<u>15,595,016</u>	<u>2,935,558</u>	<u>18,530,574</u>	<u>616,902</u>
Net assets - ending					<u>\$18,699,754</u>	<u>\$2,341,578</u>	<u>\$21,041,332</u>	<u>\$ 678,136</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2005

	General Fund	Fire and Rescue	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 951,043	\$ 114,953	\$ 249,949	\$ 249,741	\$ 1,565,696
Restricted cash	72,654	--	500	82,348	155,502
Investments	--	--	7,211,259	--	7,211,259
Receivables:					
Taxes	4,082,411	--	--	--	4,082,411
Accounts	111,016	130,637	--	80,939	322,592
Due from other funds	1,804,720	--	--	93,655	1,898,375
Due from other governments	<u>3,506,867</u>	--	<u>942,582</u>	<u>198,390</u>	<u>4,647,839</u>
TOTAL ASSETS	<u>\$10,528,731</u>	<u>\$ 245,590</u>	<u>\$8,404,290</u>	<u>\$ 705,073</u>	<u>\$19,883,684</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$1,100,569	\$ --	\$ --	\$ 83,878	\$ 1,184,447
Compensated absences	44,544	--	--	--	44,544
Due to other funds	93,655	881,715	218,759	236,137	1,430,266
Due to other governments	--	--	353,638	206,554	560,192
Due to heirs, litigants and others	50,009	--	--	--	50,009
Deferred revenue	3,406,485	91,596	--	8,611	3,506,692
Notes and bonds payable	<u>1,425,000</u>	--	--	--	<u>1,425,000</u>
TOTAL LIABILITIES	<u>6,120,262</u>	<u>973,311</u>	<u>572,397</u>	<u>535,180</u>	<u>8,201,150</u>
Fund Balances:					
Reserved for:					
Building maintenance	14,000	--	--	--	14,000
Unreserved, reported in:					
General fund	4,394,469	--	--	--	4,394,469
Special revenue funds	--	(727,721)	--	169,893	(557,828)
Capital projects funds	--	--	<u>7,831,893</u>	--	<u>7,831,893</u>
TOTAL FUND BALANCES	<u>4,408,469</u>	<u>(727,721)</u>	<u>7,831,893</u>	<u>169,893</u>	<u>11,682,534</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$10,528,731</u>	<u>\$ 245,590</u>	<u>\$8,404,290</u>	<u>\$ 705,073</u>	<u>\$19,883,684</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, 2005

Total fund balances - governmental fund types		\$11,682,534 ✓
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:		
Land		
Construction in progress	\$ 370,443	
Infrastructure, net of \$99,520 accumulated depreciation	491,044	
Buildings and improvements, net of \$3,347,332 accumulated depreciation	1,213,761	
Equipment, net of \$514,496 accumulated depreciation	13,697,887	
Vehicles, net of \$4,842,266 accumulated depreciation	1,037,914	
Trucks and construction equipment, net of \$1,886,977 accumulated depreciation	4,600,035	
	<u>1,478,624</u>	22,889,708 ✓
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.		
		148,053 ✓
County taxes and fire fees reported as revenue under the modified accrual basis, but not susceptible to accrual in the statement of net assets.		
		3,497,367 ✓
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, 2005, are:		
Accrued interest on bonds		(176,019) ✓
Bond issuance costs, net of amortization		267,997 ✓
Bonds payable	(11,930,000) ✓	
Capital leases	(4,344,843) ✓	
Compensated absences	(397,449) ✓	
Landfill closure and postclosure care costs	(2,794,770) ✓	
Unamortized premiums	(142,824) ✓	
Total long-term liabilities		<u>(19,609,886)</u> ✓
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$18,699,754</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2005

	General Fund	Fire and Rescue	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes					
Other taxes	\$ 4,266,647	\$ --	\$ --	\$ --	\$ 4,266,647
Licenses and permits	6,654,302	--	5,020,172	--	11,674,474
Intergovernmental	263,266	--	--	--	263,266
Charges for services	1,103,325	--	--	--	1,103,325
Fines and forfeitures	792,766	1,464,892	--	1,038,514	2,141,839
Investment income	1,581,606	--	--	825,475	3,083,133
Contributions and donations	1,987	2,429	158,352	199,694	1,781,300
Rental income	51,181	--	--	1,263	164,031
Miscellaneous	433,042	16,416	--	228,203	279,384
TOTAL REVENUES	<u>19,363,009</u>	<u>1,494,981</u>	<u>5,178,524</u>	<u>2,321,114</u>	<u>24,357,628</u>
EXPENDITURES					
Current:					
General government	2,825,507	--	2,250	28,002	2,855,759
Judicial	2,384,717	--	--	197,661	2,582,378
Sheriff	5,379,898	--	--	19,635	5,399,533
Public safety	450,394	1,380,677	--	1,609,137	3,440,208
Public works	1,422,515	--	--	122,878	1,545,393
Health and welfare	594,798	--	--	939,399	1,534,197
Culture and recreation	310,691	--	--	4,278	314,969
Housing and development	323,553	--	--	--	323,553
Capital outlay	--	--	2,513,358	559,465	3,072,823
Debt service:					
Principal retirement	423,504	197,521	3,735,000	--	4,356,025
Interest	135,564	123,500	400,819	--	659,883
Intergovernmental payments	--	--	199,657	--	199,657
TOTAL EXPENDITURES	<u>14,251,141</u>	<u>1,701,698</u>	<u>6,851,084</u>	<u>3,480,455</u>	<u>26,284,378</u>
Excess revenues over (under) expenditures	<u>1,111,868</u>	<u>(206,717)</u>	<u>(1,672,560)</u>	<u>(1,159,341)</u>	<u>(1,926,750)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	--	--	--	410,809	410,809
Transfers out	(311,390)	(47,038)	(52,381)	--	(410,809)
Sale of capital asset	17,980	--	--	--	17,980
TOTAL OTHER FINANCING SOURCES (USES)	<u>(293,410)</u>	<u>(47,038)</u>	<u>(52,381)</u>	<u>410,809</u>	<u>17,980</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>818,458</u>	<u>(253,755)</u>	<u>(1,724,941)</u>	<u>(748,532)</u>	<u>(1,908,770)</u>
Fund balances - beginning of year	3,808,084	(201,874)	9,556,834	918,425	14,081,469
Prior period adjustments:					
Changes in accounting principle:					
Reclassification of funds	(218,073)	--	--	--	(218,073)
Correction of errors	--	(272,092)	--	--	(272,092)
Fund balances - end of year	<u>\$ 4,408,469</u>	<u>\$ (727,721)</u>	<u>\$ 7,831,893</u>	<u>\$ 169,893</u>	<u>\$ 11,682,524</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, 2005

Net changes in fund balances - total government funds		\$(1,908,770) ✓
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. Capital outlay for the period was \$1,794,139 and the related depreciation expense was \$1,894,854.	(100,715) ✓	
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(90,333) ✓	
Property taxes not reported as revenue under the modified accrual basis, but susceptible to accrual in the statement of net assets.	798,983 ✓	
Fire fees reported as revenue under the modified accrual basis, but not susceptible to accrual in the statement of net assets.	(27,793) ✓	
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.		
Bond principal payments	\$3,735,000 ✓	
Amortization of bond issuance costs	(83,904) ✓	
Amortization of bond premiums	124,083 ✓	
Capital lease obligation payments	<u>622,739</u> ✓	
		4,397,918 ✓
Expenditures recognized under the modified accrual basis of accounting for governmental funds, but recorded as prepaid expenses under the accrual basis.		(72) ✓
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified basis of accounting until due, rather than as it accrues.		
Compensated absences	(33,198) ✓	
Accrued interest	22,041 ✓	
Landfill closure and postclosure care costs	46,677 ✓	
Change in net assets of governmental activities	<u>\$ 3,104,738</u> ✓	

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2005

	Enterprise Fund
	Landfill
ASSETS	
CURRENT ASSETS	
Cash	\$ 418
Receivables, net of allowances	<u>89,159</u>
TOTAL CURRENT ASSETS	<u>89,577</u>
NONCURRENT ASSETS	
Capital assets, net of accumulated depreciation:	
C and D landfill	2,891,955
Buildings and improvements	248,490
Equipment	402,793
Construction in progress	<u>213,341</u>
Total capital assets, net of accumulated depreciation	<u>3,756,579</u>
TOTAL NONCURRENT ASSETS	<u>3,756,579</u>
TOTAL ASSETS	<u>3,846,156</u>
LIABILITIES	
CURRENT LIABILITIES	
Compensated absences	2,671
Capital lease payable - short-term	226,651
Accrued interest payable	18,085
Due to other funds	<u>468,109</u> ✓
TOTAL CURRENT LIABILITIES	<u>715,516</u>
NONCURRENT LIABILITIES	
Capital lease payable - long-term	236,748
Landfill closure and postclosure care costs - long-term	<u>552,314</u>
TOTAL NONCURRENT LIABILITIES	<u>789,062</u>
TOTAL LIABILITIES	<u>1,504,578</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,740,866
Unrestricted (deficit) net assets	<u>(399,288)</u>
TOTAL NET ASSETS	<u>\$ 2,341,578</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, 2005

	Enterprise Fund
	Landfill
OPERATING REVENUES	
Charges for services	\$ <u>1,631,110</u>
OPERATING EXPENSES	
Salaries	267,367
Employee benefits	79,267
Purchased services	969,531
Landfill closure/postclosure care costs	38,598
Professional fees	1,048
Repairs and maintenance	111,358
Depreciation	553,468
Supplies	98,172
Bad debt expense	<u>61,000</u>
TOTAL OPERATING EXPENSES	<u>2,179,809</u>
OPERATING INCOME (LOSS)	(548,699)
NONOPERATING REVENUES (EXPENSES)	
Interest revenues	982
Interest expense on capital leases	<u>(46,263)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(45,281)</u>
CHANGE IN NET ASSETS	(593,980)
Total net assets - beginning, as previously reported	(123,966) ✓
Prior period adjustment:	
Reclassification of funds	<u>3,059,524</u>
Total net assets - ending	<u>\$ 2,341,578</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2005

	Enterprise Fund
	<u>Landfill</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,657,935
Payments to suppliers	(963,054)
Payments to employees	(345,079)
NET CASH PROVIDED BY OPERATING ACTIVITIES	349,802
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(86,926)
Principal paid on capital lease obligations	(217,595)
Interest paid on capital lease obligations	(46,263)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(350,784)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	982
NET CASH PROVIDED BY INVESTING ACTIVITIES	982
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	--
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	418 ✓
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 418 ✓
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$(546,699) ✓
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	553,468
Provisions for losses on accounts receivable	61,000
Landfill closure/postclosure care costs	204,217
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	26,825
Increase (decrease) in due to other funds	33,351
Increase (decrease) in accrued expenses	19,640
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 349,802

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2005

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	\$ --	\$ 1,426,393
Investments, at fair value:		
Guaranteed fixed income account	3,048,579	--
Mutual funds	2,423,677	--
TOTAL ASSETS	5,472,256	1,426,393
LIABILITIES		
Accounts payable	--	199
Due to other governments	--	1,095,939
Due to heirs, litigants, and others	--	330,255
TOTAL LIABILITIES	--	1,426,393
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see schedule of funding progress)	\$ 5,472,256	\$ --

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
September 30, 2005

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 755,492
Total contributions	<u>755,492</u>
Investment income:	
Interest	<u>332,906</u>
Net investment income	<u>332,906</u>
TOTAL ADDITIONS	<u>1,088,398</u>
DEDUCTIONS	
General and administrative expenses	--
Benefits	252,816
Insurance premiums	<u>26,799</u>
Total deductions	<u>279,615</u>
CHANGE IN NET ASSETS	808,783
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>4,663,473</u> ✓
End of year	<u>\$ 5,472,256</u> ✓

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2005

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 transfer station and construction and demolition landfill.

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. 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, 2005, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2005.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

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. The Lakeview Area Sewer project, Transportation, Lookout Mtn. Drug Task Force, Connection, and Multiple grant fund also have project length budgets adopted at the beginning of the project or for the corresponding grant.

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

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

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.

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, but is under the regulatory oversight of the Office of Treasury and Fiscal Services. 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 fair values of investments in external investment pools are the same as the value of the pool shares.

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. It is the County's policy to follow State guidelines for investments.

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 \$257,900 and \$203,000, respectively. Estimated uncollectible accounts receivable in the landfill proprietary fund are \$88,000.

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

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

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.

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, 2005.

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
Furniture	20 years
Equipment	5 to 15 years
Vehicles	6 years

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

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.

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.

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

A.7 *Revenues and Expenditures and Expense*

A.7.1 *Property Tax Revenues*

Property taxes are generally levied around July 31st for the following fiscal year based on the assessed value of property as listed on the previous January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Assessed values are an approximation of market value. Revaluation of real property must be made when the average assessed value falls below 40% of the sales price on property sold within the previous year. The last valuation date was January 1, 2002 for residential property, and January 1, 2005 for other real property, and January 1, 1998 for commercial 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, 2005
Levy date	August 4, 2005
Due date	December 20, 2005
Delinquency date	December 21, 2005

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.

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

NOTE B - RESTATEMENTS OF PRIOR YEAR BALANCES

Primary Government

Fund Reclassifications

Landfill. The landfill closure liability was generated from the Municipal Solid Waste (MSW) landfill closed in 1998. The operating transfer station and construction and demolition (C&D) landfill will not generate enough revenues to fund the liability; therefore, the general fund will fund the liability through general property tax revenue. The MSW liability is recorded at the government-wide level.

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>Landfill Enterprise Fund</u>
Net assets at September 30, 2004, as previously reported	\$ 3,808,084	\$(123,966)
Fund reclassification:		
Landfill enterprise fund	(218,073)	3,059,524
Fund Balance/Net assets at September 30, 2004, as restated	<u>\$ 3,590,011</u>	<u>\$2,935,558</u>

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

Governmental Activities: Accounts receivable and deferred revenue in the Fire and Rescue fund were overstated in fiscal year 2004 by a net difference of \$272,092. This error resulted in a material misstatement for the year ended September 30, 2004. Accordingly, the County has restated its financial statements for the year then ended. The effect of the restatement was to decrease the Fire and Rescue fund's net assets by \$272,092.)

Property tax revenues were incorrectly recognized in fiscal year 2004. This error resulted in a material misstatement for the year ended September 30, 2004. Accordingly, the County has restated its financial statements for the year then ended. The effect of the restatement was to increase the governmental activities net assets by \$3,110,634.)

NOTE C - CASH AND INVESTMENTS

Primary Government

The cash and investments of the County were fully collateralized at September 30, 2005. 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.

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

Deposit Categories of Custodial Credit Risk

1. Insured or collateralized with securities held by the County or by its agent in the County's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
3. Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the County's name.

Investment Categories of Custodial Credit Risk

1. Insured or registered or securities held by the County or its agent in the County's name.
2. Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the County's name.
3. Uninsured and unregistered, with securities held by the counterpart or by its trust department or agent but not in the County's name.

The following schedule of cash and investments of all of the County's funds (including fiduciary funds) as of September 30, 2005, are categorized by custodial credit risk:

Cash	Category			Carrying Amount	Bank Balance			
	1	2	3					
Deposits with financial institutions	\$3,613,585	\$ --	\$ --	\$3,140,762	\$3,613,585			
<u>Investment Type</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Weighted Average Maturity (Years)</u>	
<u>Primary Government</u>	<u>1</u>	<u>2</u>	<u>3</u>					
Georgia Fund 1	\$ --	\$2,687,823	\$ --	\$2,687,823	AAAm	N/A		
Federal Home Loan Mortgage Discount Notes	--	4,523,436	--	4,523,436	A-1+	less than 6 months	0.17	
	\$ --	\$7,211,259	\$ --	\$7,211,259				
<u>Fiduciary Fund</u>								
Guaranteed fixed income account	\$ --	\$3,048,579	\$ --	\$3,048,579	N/A	less than 6 months		
Open end mutual funds	--	2,423,677	--	2,423,677	N/A	less than 6 months		
	\$ --	\$5,472,256	\$ --	\$5,472,256				

\$4,523,436 or 63% of the \$7,211,259 invested for the SPLOST 2003 capital projects fund is invested in Federal Home Loan Mortgage Discount Notes. At September 30, 2005, more than 5% of the County's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government. These investments represented approximately 36% of total investments. The County is not subject to interest rate risk.

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

The deposits of the County are included in the following classifications at September 30, 2005.

Primary government:		
Cash and cash equivalents	\$ 1,558,867	
Restricted cash	155,502	✓
Agency funds:		
Cash	<u>1,426,393</u>	✓
Total deposits with financial institutions	<u>\$ 3,140,762</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, 2005.

At June 30, 2005, cash consisted of the following:

Cash and cash equivalents	\$ <u>686,628</u>	✓
---------------------------	-------------------	---

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	\$ 881,715	✓
General fund from SPLOST 2003 fund	218,759	✓
General fund from Landfill fund	468,109	✓
General fund from Nonmajor governmental funds	236,137	✓
Nonmajor governmental funds from General fund	<u>93,655</u>	✓
Total	<u>\$ 1,898,375</u>	
Due from:		
Other funds, Balance Sheet - Governmental Funds	\$ 1,898,375	
Due to:		
Other funds, Statement of Net Assets - Proprietary Fund	(468,109)	
Total	<u>\$ 1,430,266</u>	

Interfund balances are created mainly from the general fund's payment of invoices on behalf of other funds. The interfund balance due from the Landfill fund is not expected to be repaid within one year.

Transfers To/From Other Funds

Transfers to/from other funds at September 30, 2005, consist of the following:

From the General fund to the E911 fund for sustaining difference	\$ 56,700	✓
From the General fund to the Grant fund for County matching requirements	72,996	✓
From the General fund to the Transportation Fund for sustaining difference	181,694	✓
From the Fire and Rescue fund to the Grant fund for County matching requirements	47,038	✓
From the SPLOST 2003 fund to the Lakeview Sewer fund for capital expenditures	<u>52,381</u>	✓
Total	<u>\$ 410,809</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, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 370,443	\$ --	\$ --	\$ 370,443	
Construction in progress	346,163	144,881	--	491,044	
Total capital assets not being depreciated	716,606	144,881	--	861,487	
Capital assets being depreciated:					
Infrastructure	1,194,240	119,041	--	1,313,281	
Buildings and improvements	16,673,983	371,236	--	17,045,219	
Equipment	1,208,507	351,003	7,100	1,552,410	
Vehicles	9,383,815	534,614	476,128	9,442,301	
Trucks and construction equipment	3,092,237	273,364	--	3,365,601	
Total capital assets being depreciated	31,552,782	1,649,258	483,228	32,718,812	
Less accumulated depreciation for:					
Infrastructure	59,712	39,808	--	99,520	
Buildings and improvements	3,037,729	309,603	--	3,347,332	
Equipment	317,886	196,610	--	514,496	
Vehicles	4,243,625	984,436	385,795	4,842,266	
Trucks and construction equipment	1,529,680	364,397	7,100	1,886,977	
Total accumulated depreciation	9,188,632	1,894,854	392,895	10,690,591	
Total capital assets being depreciated, net	22,364,150	(245,596)	90,333	22,028,221	
Governmental activity capital assets, net	\$23,080,756	\$(100,715)	\$ 90,333	\$22,889,708	
	Beginning Balances	Increases	Decreases	Reclassi- fications	Ending Balances
BUSINESS-TYPE ACTIVITIES:					
Landfill:					
Capital assets not being depreciated:					
Construction-in-progress	\$ 153,202	\$ 60,139	\$ --	\$ --	\$ 213,341
Total capital assets not being depreciated	153,202	60,139	--	--	213,341
Capital assets being depreciated and amortized:					
C & D Landfill	4,016,605	--	--	--	4,016,605
Buildings and improvements	306,771	--	--	--	306,771
Machinery and equipment	380,131	24,887	--	--	405,018
Capital lease assets	765,270	--	--	--	765,270
Vehicles	47,377	--	--	--	47,377
Furniture and fixtures	1,028	--	--	--	1,028
Software	108	1,400	--	--	1,508
Computers, radios, and electronics	7,006	500	--	--	7,506
Total capital assets being depreciated and amortized	5,524,296	26,787	--	--	5,551,083
Less accumulated depreciation and amortization for:					
C & D Landfill	722,989	401,661	--	--	1,124,650
Buildings and improvements	46,006	8,964	--	3,311	58,281
Machinery and equipment	324,485	27,726	--	12,738	364,949
Capital lease assets	319,335	105,195	--	--	424,530
Vehicles	40,298	8,195	--	(18,055)	30,438
Furniture and fixtures	43	51	--	--	94
Software	36	208	--	--	244
Computers, radios, and electronics	1,185	1,468	--	2,006	4,659
Total accumulated depreciation and amortization	1,454,377	553,468	--	--	2,007,845
Total capital assets being depreciated, net	4,069,919	(526,681)	--	--	3,543,238
Business-type activities capital assets, net	\$ 4,223,121	\$(466,542)	\$ --	\$ --	\$ 3,756,579

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	14,142	--	--	14,142
Less accumulated depreciation for:				
Machinery and equipment	9,091	2,021	--	11,112
Total accumulated depreciation	9,091	2,021	--	11,112
Governmental activities capital assets, net	\$ 5,051	\$(2,021)	\$ --	\$ 3,030

Depreciation expense was charged to governmental functions as follows:

General government	\$ 66,309
Judicial	52,051
Sheriff	329,070
Public safety	698,668
Public works	495,720
Health and welfare	218,241
Culture and recreation	34,795
	<u>\$1,894,854</u> ✓

NOTE F - PENSION PLAN

Plan Description. Three hundred and fifteen (315) 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 2004 has increased as a percentage of covered payroll from 9.5% in 2003 to 10.17% in 2004. 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, 2004 were \$771,765 and were made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2005, (the most recent actuarial valuation date). The County's covered payroll for the plan year ended January 1, 2005, was \$7,394,886 and the total payroll was \$9,548,886.

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. The County's annual pension cost, percentage of annual percentage cost contributed and net pension obligation for the most recent three years is as follows:

Three-Year Trend Information

Year Ending	Employer Annual Pension Cost (APC)	Annual Contribution	Percentage of APC Contributed	Net (EOY) Pension Obligation
December 31, 2002	\$548,884	\$549,758	100.0%	--
December 31, 2003	650,888	650,888	100.0	--
December 31, 2004	771,765	771,765	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)
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
2005	5,472,256	6,041,225	568,969	90.6	7,394,886	7.7

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 plan was amended to remove limit on service for the excess portion of the plan benefit for those who terminate employment after February 29, 2004 and before January 1, 2005 and elect to have this provision apply to them. The amendment did not change any of the provisions for those who are still active on January 1, 2005.

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 except as noted above.

Plan Membership Data. As of January 1, 2005, the current plan membership includes the following categories of participants.

<i>Plan Participants:</i>	
Retirees and beneficiaries currently receiving benefits	10
Terminated employees entitled to benefits but not yet receiving them	52
Active participants	<u>253</u>
 Total	 <u>315</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, 2005

	<u>Fair Value</u>	<u>% of Total</u>
Lincoln Financial Group:		
Guaranteed fixed income account	\$ 3,048,579	55.71%
Balanced account	1,205,960	22.04
Equity Growth account	635,223	11.61
Government/Corporate bond	<u>582,494</u>	<u>10.64</u>
 Total	 <u>\$ 5,472,256</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, 2005, 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, 2005, was \$6,893, net of any participant contributions. Three participants were eligible to receive benefits at September 30, 2005.

NOTE H - SHORT-TERM DEBT

Receipts for fiscal year ended 2005 were below expected amounts, thus the County entered into an agreement with the bank to borrow up to \$1,500,000 on a line of credit in order to pay operating expenses. The County borrowed \$1,425,000 at a rate of 3.25% which will be repaid with property tax revenues prior to the maturity date of December 31, 2005. The unused portion of the line of credit agreement at September 30, 2005 is \$75,000.

Changes in short-term obligations for the year ended September 30, 2005, are as follows:

	<u>October 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2005</u>
Line of credit agreement	\$ <u>550,000</u> ✓	\$ <u>1,425,000</u>	\$ <u>550,000</u>	\$ <u>1,425,000</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, 2005.

	Balance October 1, 2004	Additions	Reductions	Balance September 30, 2005	Amounts Due Within One Year	Accrued Interest
GOVERNMENTAL ACTIVITIES						
Capital leases	\$ 4,967,582	\$ --	\$ 622,738	\$ 4,344,844 ✓	\$ 626,644 ✓	\$ 90,888
Bonds payable	15,931,907	--	3,859,083	12,072,824 ✓	3,926,616 ✓	85,131
Compensated absences	407,425	43,480	8,913	441,992	244,207 ✓	--
Landfill closure/ postclosure costs	--	2,841,451 ✓	46,681	2,794,770 ✓	106,616 ✓	--
	<u>\$21,306,914</u>	<u>\$ 2,884,931</u>	<u>\$ 4,537,415</u>	<u>\$19,654,430</u> ✓	<u>\$ 4,904,083</u> ✓	<u>\$ 176,019</u>
BUSINESS-TYPE ACTIVITIES						
Landfill:						
Capital leases	\$ 680,994	\$ --	\$ 217,595	\$ 463,399 ✓	\$ 226,651 ✓	\$ 18,085
Compensated absences	1,116	1,555	--	2,671	2,671 ✓	--
Landfill closure/ postclosure costs	3,189,548	204,217	2,841,451	552,314 ✓	-- ✓	--
	<u>\$ 3,871,658</u>	<u>\$ 205,772</u>	<u>\$ 3,059,046</u>	<u>\$ 1,018,384</u> ✓	<u>\$ 229,322</u> ✓	<u>\$ 18,085</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. The MSW landfill closure/postclosure costs will be liquidated in the general fund, and the C&D landfill closure/postclosure costs will be liquidated in the landfill proprietary fund.

Debt Service Requirements

Debt service requirements on bonds payable at September 30, 2005, are as follows:

Year ending September 30,	Governmental Activities	
	Bonds	
	Principal	Interest
2006	\$ 3,926,616	\$ 308,213
2007	4,015,431	205,019
2008	4,130,777	90,156
	<u>\$12,072,824</u> ✓	<u>\$ 603,388</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 \$4,115,000. Principal payments began July 2004 and mature in July 2008. Interest and principal payments are due semi-annually. The bonds are payable from proceeds of the 2003 special purpose local option sales tax referendum.

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

Capital Leases

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

	Governmental Activities	Business-type Activities	
		Landfill	Total
Buildings	\$ 3,562,705	\$ --	\$ 3,562,705
Vehicles and equipment	<u>6,960,982</u>	<u>765,270</u>	<u>7,726,252</u>
Total capital lease assets	10,523,687	765,270	11,288,957
Accumulated amortization	<u>3,918,680</u>	<u>424,530</u>	<u>4,343,210</u>
Capital lease assets, net	<u>\$ 6,605,007</u>	<u>\$ 340,740</u>	<u>\$ 6,945,747</u>

Future minimum lease payments at September 30, 2005, are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	
		Landfill	
2006	\$ 845,268	\$ 245,773	
2007	695,053	246,518	
2008	707,024	--	
2009	719,355	--	
2010	732,056	--	
2011-2014	<u>1,563,529</u>	<u>--</u>	
Total minimum lease payments	5,262,285	492,291	
Less: Deferred interest	(917,442)	(28,892)	
Present value minimum lease payments	<u>\$ 4,344,843</u> ✓	<u>\$ 463,399</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. All capital leases have a bargain purchase option for a nominal amount.

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, 2005, the County had no material excess of expenditures over appropriations in individual funds.

J.3 *Deficit Fund Balances*

The fire and rescue fund had a deficit fund balance of \$727,721 at September 30, 2005. 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, 2005, 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.

Litigation. The County is subject to claims and suits arising principally in the normal course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in the basic financial statements.

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

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 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, 2005, the County had incurred a liability of \$552,314 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 28 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$1,420,200 which will be recognized as the remaining capacity is used (estimated to be approximately 7 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, 2005, a liability for postclosure care costs is recorded in the amount of \$2,794,770, which is based on engineering reports, for 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.

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

NOTE O - EXCESS EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds:

	<u>Multiple Grant</u>	<u>Lookout Mtn. Drug Task Force</u>	<u>SPLOST III</u>
Current:			
General government	\$ --	\$ --	\$ 750 ✓
Public safety	--	152,592 ✓	--
Public works	--	--	--
Health and Welfare	50,654 ✓	--	--
Culture and recreation	4,278 ✓	--	--

REQUIRED SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 4,305,000	\$ 4,266,647	\$ 4,266,647	\$ --
Other taxes	6,389,651	6,654,302	6,654,302	--
Licenses and permits	57,600	263,266	263,266	--
Intergovernmental	541,300	1,103,325	1,103,325	--
Charges for services	593,300	792,766	792,766	--
Fines and forfeitures	1,538,500	1,581,606	1,581,606	--
Investment income	1,500	1,987	1,987	--
Contributions and donations	--	51,181	51,181	--
Rental income	411,900	433,042	433,042	--
Miscellaneous	288,750	214,887	214,887	--
Total revenues	<u>14,127,501</u>	<u>15,363,009</u>	<u>15,363,009</u>	--
EXPENDITURES				
Current:				
General government				
Governing body	570,100	847,999	847,999	--
Elections	184,734	188,849	188,849	--
Accounting	173,700	159,899	159,899	--
Licensing	8,100	8,145	8,145	--
Data processing	56,550	62,817	62,817	--
Human Resources	--	222	222	--
Tax commissioner	463,700	643,336	643,336	--
Tax assessor	444,950	494,424	494,424	--
Board of equalization	5,000	7,317	7,317	--
General government buildings and plant	608,500	280,162	280,162	--
Marsh Warthen house	5,000	2,527	2,527	--
Records management	68,450	65,302	65,302	--
General administration fees	58,600	14,561	14,561	--
Special projects	42,150	49,946	49,946	--
Judicial				
Clerk of courts	446,950	621,232	621,232	--
Superior court	158,925	319,917	319,917	--
District attorney	222,558	165,690	165,690	--
State court	198,150	231,691	231,691	--
State court solicitor	133,550	148,005	148,005	--
Magistrate court	224,800	277,990	277,990	--
Probate court	170,650	209,738	209,738	--
Juvenile court	198,300	234,602	234,602	--
Grand jury	600	364	364	--
Public defender	270,378	118,204	118,204	--
Court reporter	59,600	57,414	57,414	--
Bailiff	--	(131)	(131)	--
Sheriff				
Police administration	--	86	86	--
Sheriff	--	40,619	40,619	--
Law enforcement administration	338,700	356,079	356,079	--
Crime control	--	210	210	--
Criminal investigation	682,011	667,022	667,022	--
Vice control	4,000	7,334	7,334	--
Patrol	1,585,891	1,658,063	1,658,063	--
Custody of prisoners	1,426,244	1,802,379	1,802,379	--
DARE program	146,850	92,982	92,982	--
Training	66,250	52,683	52,683	--
Special detail services	2,500	6,207	6,207	--
Sheriff's office and building	75,000	101,583	101,583	--
Court services	657,050	580,314	580,314	--
Bailiff	6,000	14,334	14,334	--
Corrections	--	3	3	--
Public safety				
Public safety administration	--	330	330	--
County police	233,200	277,371	277,371	--
Coroner/medical examiner	46,350	55,244	55,244	--
Animal control	86,200	117,448	117,448	--

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public works				
Highways and streets administration	\$ 184,734	\$ 735,189	\$ 735,189	\$ --
Paved street	963,426	(601,840)	(601,840)	--
Other maintenance	524,207	495,532	495,532	--
Bridges, viaducts, and grade separations	18,010	166	166	--
Traffic engineering	107,747	112,786	112,786	--
Stormwater collection and disposal	106,385	--	--	--
Closure and postclosure costs	--	295,907	295,907	--
Maintenance and shop	358,905	384,778	384,778	--
Health and welfare				
Health	--	(22,325)	(22,325)	--
Public health administration	267,900	265,666	265,666	--
Mosquito control	5,500	15,730	15,730	--
Ambulance services	225,000	157,500	157,500	--
Indigent medical care	1,000	--	--	--
Health department building and plant	10,650	5,692	5,692	--
Welfare administration	--	4,616	4,616	--
Children's Crisis Center	10,000	10,000	10,000	--
Intergovernmental welfare payments	72,500	59,544	59,544	--
Food pantry	--	64	64	--
Vendor welfare payments	--	2,883	2,883	--
Other welfare payments	600	1,250	1,250	--
DEFACS building and plant	24,575	33,886	33,886	--
Community services	--	678	678	--
Meals on wheels	53,350	56,826	56,826	--
Civic center	152,950	156,450	156,450	--
Senior center	--	2,938	2,938	--
Transportation services	285,000	(150)	(150)	--
Culture and recreation				
Agricultural center	16,800	14,210	14,210	--
Historical preservation	--	11,031	11,031	--
Library administration	129,000	129,000	129,000	--
Housing and development				
County agent	72,750	67,435	67,435	--
Forest resources	--	2,203	2,203	--
Planning	112,700	--	--	--
Planning and zoning	--	179,509	179,509	--
Economic development	86,000	74,406	74,406	--
Debt Service:				
Principal retirement	--	423,504	423,504	--
Interest	--	135,564	135,564	--
Total expenditures	13,919,930	14,251,141	14,251,141	--
Excess revenues over (under) expenditures	207,571	1,111,868	1,111,868	--
OTHER FINANCING SOURCES (USES)				
Transfers out	(207,571)	(311,390)	(311,390)	--
Sale of capital asset	--	17,980	17,980	--
Total other financing uses	(207,571)	(293,410)	(293,410)	--
Excess of revenues and other sources over (under) expenditures and other uses	--	818,458	818,458	--
Fund balance - beginning of year	3,808,084	3,808,084	3,808,084	--
Prior period adjustments:				
Changes in accounting principles:				
Reclassification of funds	--	(218,073)	(218,073)	--
Fund balance - end of year	\$ 3,808,084	\$ 4,408,469	\$ 4,408,469	\$ --

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 FIRE & RESCUE FUND
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 1,614,692	\$ 1,464,892	\$ 1,464,892	--
Investment income	--	2,429	2,429	--
Rental income	--	16,416	16,416	--
Miscellaneous	--	11,244	11,244	--
Total revenues	<u>1,614,692</u>	<u>1,494,981</u>	<u>1,494,981</u>	--
EXPENDITURES				
Current:				
Public safety	1,577,329	1,380,677	1,380,677	--
Debt Service:				
Principal retirement	--	197,521	197,521	--
Interest	--	123,500	123,500	--
Total expenditures	<u>1,577,329</u>	<u>1,701,698</u>	<u>1,701,698</u>	--
Excess revenues over (under) expenditures	<u>37,363</u>	<u>(206,717)</u>	<u>(206,717)</u>	--
OTHER FINANCING SOURCES (USES)				
Transfers out	--	<u>(47,038)</u>	<u>(47,038)</u>	--
Total other financing (uses)	--	<u>(47,038)</u>	<u>(47,038)</u>	--
Excess of revenues and other sources over (under) expenditures and other uses	37,363	<u>(253,755)</u>	<u>(253,755)</u>	--
Fund balance - beginning of year	<u>(201,874)</u>	<u>(201,874)</u>	<u>(201,874)</u>	--
Prior period adjustment:				
Correction of errors	--	<u>(272,092)</u>	<u>(272,092)</u>	--
Fund balance - end of year	<u>\$ (164,511)</u>	<u>\$ (227,321)</u>	<u>\$ (227,321)</u>	--

WALKER COUNTY, GEORGIA
 DEFINED BENEFIT PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN
 September 30, 2005

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)
01/01/96	\$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%
01/01/05	5,472,256	6,041,225	568,969	90.6%	7,394,886	7.7%

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, 2005

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
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
01/01/05	771,765	771,765	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	1/1/2005
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, 2005

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

The plan was amended to remove limit on service for the excess portion of the plan benefit for those who terminate employment after February 29, 2004 and before January 1, 2005 and elect to have this provision apply to them. All other assumptions and methods remain unchanged.

SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 249,741	\$ --	\$ 249,741
Restricted cash	82,348	--	82,348
Accounts receivable	80,939	--	80,939
Due from other funds	93,655	--	93,655
Due from other governments	<u>198,390</u>	<u>--</u>	<u>198,390</u>
TOTAL ASSETS	\$ <u>705,073</u>	\$ <u>--</u>	\$ <u>705,073</u> ✓
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 83,878	\$ --	\$ 83,878
Due to other funds	236,137	--	236,137
Due to other governments	206,554	--	206,554
Deferred revenue	<u>8,611</u>	<u>--</u>	<u>8,611</u>
TOTAL LIABILITIES	<u>535,180</u>	<u>--</u>	<u>535,180</u> ✓
FUND BALANCES			
Unreserved, reported in:			
Special revenue funds	169,893	--	169,893
Capital projects funds	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL FUND BALANCES	<u>169,893</u>	<u>--</u>	<u>169,893</u> ✓
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>705,073</u>	\$ <u>--</u>	\$ <u>705,073</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES:			
Intergovernmental	\$ 1,038,514	\$ --	\$ 1,038,514
Charges for services	825,475	--	825,475
Fines and forfeitures	199,694	--	199,694
Investment income	726	537	1,263
Contributions and donations	228,203	--	228,203
Miscellaneous	<u>27,965</u>	<u>--</u>	<u>27,965</u>
Total	<u>2,320,577</u>	<u>537</u>	<u>2,321,114</u> ✓
EXPENDITURES			
CURRENT			
General government	27,252	750	28,002
Judicial	197,661	--	197,661
Sheriff	19,635	--	19,635
Public safety	1,609,137	--	1,609,137
Public works	122,878	--	122,878
Health and welfare	939,399	--	939,399
Culture and recreation	4,278	--	4,278
Capital outlay	<u>--</u>	<u>559,465</u>	<u>559,465</u> ✓
Total	<u>2,920,240</u>	<u>560,215</u>	<u>3,480,455</u> ✓
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(599,663)	(559,678)	(1,159,341) ✓
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>358,428</u>	<u>52,381</u>	<u>410,809</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>358,428</u>	<u>52,381</u>	<u>410,809</u> ✓
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(241,235)	(507,297)	(748,532) ✓
FUND BALANCES - BEGINNING OF YEAR	<u>411,128</u>	<u>507,297</u>	<u>918,425</u> ✓
FUND BALANCES - END OF YEAR	<u>\$ 169,893</u>	<u>\$ --</u>	<u>\$ 169,893</u> ✓

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2005

	911	Law Library	Court Supervision	HEAT Program	Connection	Forfeiture	Multiple Grant	Lookout Mtn. Drug Task Force	Food Pantry	Transpor- tation	Total
ASSETS											
Cash	\$ --	\$ 23,314	\$ 45,676	\$ --	\$ 90,118	\$ --	\$ --	\$ 90,317	\$ 316	\$ --	\$249,741
Restricted cash	--	--	--	--	--	--	--	82,348	--	--	82,348
Accounts receivable	80,939	--	--	--	--	--	--	--	--	--	80,939
Due from other funds	--	--	--	970	--	39,267	--	53,418	--	--	93,655
Due from other governments	--	--	--	--	25,875	--	62,031	66,138	--	44,346	198,390
TOTAL ASSETS	\$80,939	\$ 23,314	\$ 45,676	\$ 970	\$115,993	\$ 39,267	\$ 62,031	\$292,221	\$ 316	\$44,346	\$705,073
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,530	\$ 82,348	\$ --	\$ --	\$ 83,878
Due to other funds	80,939	--	3,495	--	66,741	--	40,616	--	--	44,346	236,137
Due to other governments	--	--	--	--	--	--	--	206,554	--	--	206,554
Deferred revenue	--	--	--	--	--	--	8,611	--	--	--	8,611
TOTAL LIABILITIES	80,939	--	3,495	--	66,741	--	50,757	288,902	--	44,346	\$355,180
Unreserved, reported in: Special revenue funds	--	23,314	42,181	970	49,252	39,267	11,274	3,319	316	--	169,893
TOTAL FUND BALANCES	--	23,314	42,181	970	49,252	39,267	11,274	3,319	316	--	169,893
TOTAL LIABILITIES AND FUND BALANCE	\$ 80,939	\$ 23,314	\$ 45,676	\$ 970	\$115,993	\$ 39,267	\$ 62,031	\$292,221	\$ 316	\$44,346	\$705,073

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2005

	911	Law Library	Court Supervision	HEAT Program	Connection	Forfeiture	Multiple Grant	Lookout Mtn. Drug Task Force	Food Pantry	Trans- portation	Total
REVENUES											
Intergovernmental	\$ --	\$ --	\$ --	\$ --	\$213,285	\$ --	\$525,010	\$181,812	\$ --	\$118,407	\$1,038,514
Charges for services	797,140	--	--	--	--	--	--	--	--	28,335	825,475
Fines and forfeitures	--	35,038	11,329	--	--	12,971	--	140,356	--	--	199,694
Investment income	--	324	216	--	--	--	--	186	--	--	726
Contributions and donations	--	--	--	24,429	178,724	--	--	--	25,050	--	228,203
Miscellaneous	--	--	--	--	13,108	14,857	--	--	--	--	27,965
TOTAL	<u>797,140</u>	<u>35,362</u>	<u>11,545</u>	<u>24,429</u>	<u>405,117</u>	<u>27,828</u>	<u>525,010</u>	<u>322,354</u>	<u>25,050</u>	<u>146,742</u>	<u>2,320,577</u>
EXPENDITURES											
CURRENT											
General government	--	--	--	--	--	--	27,252	--	--	--	27,252
Judicial	--	23,438	5,598	--	--	22,288	146,337	--	--	--	197,661
Sheriff	--	--	--	--	--	--	19,635	--	--	--	19,635
Public safety	853,840	--	--	23,459	--	--	270,579	461,259	--	--	1,609,137
Public works	--	--	--	--	--	--	122,878	--	--	--	122,878
Health and welfare	--	--	--	--	378,174	--	207,654	--	25,135	328,436	939,399
Culture and recreation	--	--	--	--	--	--	4,278	--	--	--	4,278
Total	<u>853,840</u>	<u>23,438</u>	<u>5,598</u>	<u>23,459</u>	<u>378,174</u>	<u>22,288</u>	<u>798,613</u>	<u>461,259</u>	<u>25,135</u>	<u>--</u>	<u>2,920,240</u>
Excess of revenues over (under) expenditures	(56,700)	11,924	5,947	970	26,943	5,540	(273,603)	(138,905)	(85)	(181,694)	(599,663)
Other financing sources (uses)	56,700	--	--	--	--	--	120,034	--	--	181,694	358,428
Total other financing sources (uses)	<u>56,700</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>120,034</u>	<u>--</u>	<u>--</u>	<u>181,694</u>	<u>358,428</u>
Excess of revenues and other sources over (under) expenditures and other uses	--	11,924	5,947	970	26,943	5,540	(153,569)	(138,905)	(85)	--	241,235
Fund balances - beginning of year	--	11,390	36,234	--	22,309	33,727	164,843	142,224	401	--	411,128
Fund balance - end of year	\$ --	\$23,314	\$42,181	\$ 970	\$49,252	\$39,267	\$ 11,274	\$ 3,319	\$ 316	\$ --	\$ 169,893

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECT FUNDS
 September 30, 2005

	<u>Lakeview Area Sewer Project</u>	<u>SPLOST III</u>	<u>Total</u>	
ASSETS				
Cash	\$ --	\$ --	\$ --	
Due from other funds	_____ --	_____ --	_____ --	
TOTAL ASSETS	\$ _____ --	\$ _____ --	\$ _____ --	✓
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other governments	\$ _____ --	\$ _____ --	\$ _____ --	
TOTAL LIABILITIES	_____ --	_____ --	_____ --	✓
FUND BALANCES				
Unreserved, reported in:				
Capital projects funds	_____ --	_____ --	_____ --	
TOTAL FUND BALANCES	_____ --	_____ --	_____ --	✓
TOTAL LIABILITIES AND FUND BALANCE	\$ _____ --	\$ _____ --	\$ _____ --	✓

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 For the Year Ended September 30, 2005

	<u>Lakeview Area Sewer Project</u>	<u>SPLOST III</u>	<u>Total</u>
REVENUES			
Other taxes	\$ --	\$ --	\$ --
Investment income	<u> --</u>	<u> 537</u>	<u> 537</u>
Total	<u> --</u>	<u> 537</u>	<u> 537</u> ✓
EXPENDITURES			
Current			
General government	--	750	750
Public works	--	--	--
Health and welfare	--	--	--
Culture and recreation	--	--	--
Capital outlay	52,381	507,084	559,465
Intergovernmental payments	<u> --</u>	<u> --</u>	<u> --</u>
Total	<u> 52,381</u>	<u> 507,834</u>	<u> 560,215</u> ✓
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(52,381)</u>	<u>(507,297)</u>	<u>(559,678)</u> ✓
OTHER FINANCING SOURCES			
Transfers in	<u> 52,381</u>	<u> --</u>	<u> 52,381</u>
TOTAL OTHER FINANCING SOURCES	<u> 52,381</u>	<u> --</u>	<u> 52,381</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	--	(507,297)	(507,297)
Fund balances - beginning of year	<u> --</u>	<u> 507,297</u>	<u> 507,297</u> ✓
Fund balances - end of year	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended September 30, 2005

	<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	\$ 552,517	\$ 439,515	\$ 31,466	\$ 9,606	\$ 393,289	\$ 1,426,393
TOTAL ASSETS	<u>552,517</u>	<u>439,515</u>	<u>31,466</u>	<u>9,606</u>	<u>393,289</u>	<u>1,426,393</u> ✓
LIABILITIES						
Accounts payable	199	--	--	--	--	199
Due to other governments	552,318	139,541	1,185	9,606	393,289	1,095,939
Due to heirs, litigants, and others	--	299,974	30,281	--	--	330,255
TOTAL LIABILITIES	<u>552,517</u>	<u>439,515</u>	<u>31,466</u>	<u>9,606</u>	<u>393,289</u>	<u>1,426,393</u> ✓
NET ASSETS	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended September 30, 2005

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ <u>2,363,231</u> ✓	\$ <u>30,457,865</u>	\$ <u>31,394,703</u>	\$ <u>1,426,393</u>
Total Assets	<u>2,363,231</u>	<u>30,457,865</u>	<u>31,394,703</u>	<u>1,426,393</u> ✓
LIABILITIES				
Accounts payable	4,462	--	4,263	199
Due to other funds	--	4,961,248	4,961,248	--
Due to other governments	1,662,781	24,362,203	24,929,045	1,095,939
Due to heirs, litigants, and others	<u>695,988</u>	<u>1,134,414</u>	<u>1,500,147</u>	<u>330,255</u>
Total liabilities	<u>2,363,231</u> ✓	<u>30,457,865</u>	<u>31,394,703</u>	<u>1,426,393</u> ✓
Net Assets	\$ <u> </u> --	\$ <u> </u> --	\$ <u> </u> --	\$ <u> </u> --

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 TAX COMMISSIONER
 For the Year Ended September 30, 2005

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ <u>1,064,051</u>	\$ <u>26,601,160</u>	\$ <u>27,112,694</u>	\$ <u>552,517</u>
Total Assets	<u>1,064,051</u>	<u>26,601,160</u>	<u>27,112,694</u>	<u>552,517</u>
LIABILITIES				
Accounts payable	4,462	--	4,263	199
Due to other funds	--	4,617,098	4,617,098	--
Due to other governments	<u>1,059,589</u>	<u>21,984,062</u>	<u>22,491,333</u>	<u>552,318</u>
Total Liabilities	<u>1,064,051</u>	<u>26,601,160</u>	<u>27,112,694</u>	<u>552,517</u>
NET ASSETS	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u> --</u>

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 CLERK OF COURTS
 For the Year Ended September 30, 2002

ASSETS	Beginning	Additions	Deductions	Ending
Cash	\$ 831,243	\$ 3,439,941	\$ 3,831,969	\$ 439,215
Total assets	831,243	3,439,941	3,831,969	439,215
LIABILITIES				
Due to other governments	193,968	2,312,062	2,366,489	139,541
Due to heirs, litigants, and others	637,275	1,127,879	1,465,480	299,714
Total liabilities	831,243	3,439,941	3,831,969	439,215
NET ASSETS	\$ --	\$ --	\$ --	\$ --

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 PROBATE JUDGE
 For the Year Ended September 30, 2005

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 58,413	\$ 81,587	\$ 108,534	\$ 31,466
Total assets	<u>58,413</u>	<u>81,587</u>	<u>108,534</u>	<u>31,466</u>
LIABILITIES				
Dud to other funds	--	63,217	63,217	--
Due to other governments	--	11,835	10,650	1,185
Due to heirs, litigants, and others	<u>58,413</u>	<u>6,535</u>	<u>34,667</u>	<u>30,281</u>
Total liabilities	<u>58,413</u>	<u>81,587</u>	<u>108,534</u>	<u>31,466</u>
NET ASSETS	\$ --	\$ --	\$ --	\$ --

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 MAGISTRATE JUDGE
 For the Year Ended September 30, 2005

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 14,611	\$ 332,814	\$ 337,819	\$ 9,606
Total assets	<u>14,611</u>	<u>332,814</u>	<u>337,819</u>	<u>9,606</u>
LIABILITIES				
Due to other funds	--	290,933	290,933	--
Due to other governments	<u>14,611</u>	<u>51,881</u>	<u>56,886</u>	<u>9,606</u>
Total liabilities	<u>14,611</u>	<u>332,814</u>	<u>337,819</u>	<u>9,606</u>
NET ASSETS	\$ --	\$ --	\$ --	\$ --

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 SPLOST 2
 For the Year Ended September 30, 2005

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 394,613	\$ 2,363	\$ 3,687	\$ 393,289
Total assets	<u>394,613</u>	<u>2,363</u>	<u>3,687</u>	<u>393,289</u>
LIABILITIES				
Due to other governments	<u>394,613</u>	<u>2,363</u>	<u>3,687</u>	<u>393,289</u>
Total liabilities	<u>394,613</u>	<u>2,363</u>	<u>3,687</u>	<u>393,289</u>
NET ASSETS	\$ --	\$ --	\$ --	\$ --

WALKER COUNTY, GEORGIA
 STATEMENT OF EXPENDITURES TO BUDGET
 FAMILY CONNECTION PROGRAM
 CONTRACT 427-93-05050449-99

CONTRACT PERIOD: JULY 1, 2004 - JUNE 30, 2005

<u>Expense Type</u>	<u>Family Connection Budget</u>	<u>Contract Expenditures</u>	<u>(Over) / Under Budget</u>
Personal services	\$ --	\$ --	\$ --
Regular operating	3,502	2,741	761
Travel - staff	--	--	--
Equipment	--	--	--
Per diem, fees, and contracts	44,998	38,766	6,232
Telecommunications	1,500	965	535
Other support to customers	--	--	--
 Total	 <u>\$ 50,000</u>	 <u>\$ 42,472</u>	 <u>\$ 7,528</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 E911
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 914,571	\$ 797,140	\$ 797,140	\$ --
Total Revenues	<u>914,571</u>	<u>797,140</u>	<u>797,140</u>	<u>--</u>
EXPENDITURES				
Current				
Public safety	<u>914,571</u>	<u>853,840</u>	<u>853,840</u>	<u>--</u>
Total Expenditures	<u>914,571</u>	<u>853,840</u>	<u>853,840</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>--</u>	<u>(56,700)</u>	<u>(56,700)</u>	<u>--</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer - in	<u>--</u>	<u>56,700</u>	<u>56,700</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>56,700</u>	<u>56,700</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES - BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 LAW LIBRARY
 For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 50,200	\$ 35,038	\$ 35,038	\$ --
Investment earnings	--	324	324	--
<u>Total Revenues</u>	<u>50,200</u>	<u>35,362</u>	<u>35,362</u>	<u>--</u>
EXPENDITURES				
Current				
General government	50,200	23,438	23,438	--
<u>Total Expenditures</u>	<u>50,200</u>	<u>23,438</u>	<u>23,438</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	--	11,924	11,924	--
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	--	11,924	11,924	--
FUND BALANCES - BEGINNING OF YEAR	11,390	11,390	11,390	--
FUND BALANCES - ENDING OF YEAR	\$ 11,390	\$ 23,314	\$ 23,314	\$ --

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 COURT SUPERVISION
 For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Fines and forfeitures	\$ 10,300	\$ 11,329	\$ 11,329	\$ --
Investment earnings	<u> --</u>	<u> 216</u>	<u> 216</u>	<u> --</u>
Total Revenues	<u>10,300</u>	<u>11,545</u>	<u>11,545</u>	<u> --</u>
EXPENDITURES				
Current				
Judicial	<u>10,300</u>	<u>5,598</u>	<u>5,598</u>	<u> --</u>
Total Expenditures	<u>10,300</u>	<u>5,598</u>	<u>5,598</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u> --</u>	<u>5,947</u>	<u>5,947</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u> --</u>	<u>5,947</u>	<u>5,947</u>	<u> --</u>
FUND BALANCES - BEGINNING OF YEAR	<u>36,234</u>	<u>36,234</u>	<u>36,234</u>	<u> --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 36,234</u>	<u>\$ 42,181</u>	<u>\$ 42,181</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 HEAT Program
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Donations	\$ --	\$ 24,429	\$ 24,429	\$ --
Total Revenues	--	24,429	24,429	--
EXPENDITURES				
Current				
Public safety	--	23,459	23,459	--
Total Expenditures	--	23,459	23,459	--
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	--	970	970	--
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	--	970	970	--
FUND BALANCES - BEGINNING OF YEAR	--	--	--	--
FUND BALANCES - ENDING OF YEAR	\$ --	\$ 970	\$ 970	\$ --

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 CONNECTION
 For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 320,000	\$ 213,285	\$(106,715)
Donations	142,952	178,724	35,772
Other	<u> --</u>	<u>13,108</u>	<u>13,108</u>
Total Revenues	<u>462,952</u>	<u>405,117</u>	<u>(57,835)</u>
EXPENDITURES			
Current			
Health and welfare	<u>462,952</u>	<u>378,174</u>	<u>84,778</u>
Total Expenditures	<u>462,952</u>	<u>378,174</u>	<u>84,778</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u> --</u>	<u>26,943</u>	<u>26,943</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u> --</u>	<u>26,943</u>	<u>26,943</u>
FUND BALANCES - BEGINNING OF YEAR	<u>22,309</u>	<u>22,309</u>	<u> --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 22,309</u>	<u>\$ 49,252</u>	<u>\$ 26,943</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 FORFEITURE
 For the Year Ended September 30, 2005

	Original <u>Budget</u>	Final <u>Budget</u>	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ --	\$ 12,971	\$ 12,971	\$ --
Other	<u> --</u>	<u>14,857</u>	<u>14,857</u>	<u> --</u>
Total Revenues	<u> --</u>	<u>27,828</u>	<u>27,828</u>	<u> --</u>
EXPENDITURES				
Current				
Judicial	<u> --</u>	<u>22,288</u>	<u>22,288</u>	<u> --</u>
Total Expenditures	<u> --</u>	<u>22,288</u>	<u>22,288</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u> --</u>	<u>5,540</u>	<u>5,540</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u> --</u>	<u>5,540</u>	<u>5,540</u>	<u> --</u>
FUND BALANCES - BEGINNING OF YEAR	<u>33,727</u>	<u>33,727</u>	<u>33,727</u>	<u> --</u>
FUND BALANCES - ENDING OF YEAR	\$ <u>33,727</u>	\$ <u>39,267</u>	\$ <u>39,267</u>	\$ <u> --</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 MULTIPLE GRANT
 For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$1,345,459	\$ 525,010	\$(820,449)
Charges for services	<u>103,886</u>	<u>--</u>	(103,886)
Total Revenues	<u>1,449,345</u>	<u>525,010</u>	(924,335)
EXPENDITURES			
Current			
General government	98,333	27,252	71,081
Judicial	207,962	146,337	61,625
Sheriff	26,835	19,635	7,200
Public safety	556,328	270,579	285,749
Public works	759,676	122,878	636,798
Health and welfare	157,000	207,654	(50,654)
Culture and recreation	<u>--</u>	<u>4,278</u>	(4,278)
Total Expenditures	<u>1,806,134</u>	<u>798,613</u>	1,007,521
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(356,789)	(273,603)	<u>83,186</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer - in	<u>356,789</u>	<u>120,034</u>	(236,755)
TOTAL OTHER FINANCING SOURCES (USES)	<u>356,789</u>	<u>120,034</u>	(236,755)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	--	(153,569)	(153,569)
FUND BALANCES - BEGINNING OF YEAR	<u>164,843</u>	<u>164,843</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	\$ <u>164,843</u>	\$ <u>11,274</u>	\$ (153,569)

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 LOOKOUT MTN. DRUG TASK FORCE
 For the Year Ended September 30, 2005

	Original Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 231,500	\$ 181,812	\$(49,688)
Fines and forfeitures	--	140,356	140,356
Investment earnings	--	186	186
Total Revenues	<u>231,500</u>	<u>322,354</u>	<u>90,854</u>
EXPENDITURES			
Current			
Public safety	308,667	461,259	(152,592)
Total Expenditures	<u>308,667</u>	<u>461,259</u>	<u>(153,592)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(77,167)</u>	<u>(138,905)</u>	<u>(61,738)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer - in	77,167	--	(77,167)
TOTAL OTHER FINANCING SOURCES (USES)	<u>77,167</u>	<u>--</u>	<u>(77,167)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>--</u>	<u>(138,905)</u>	<u>(138,905)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>142,224</u>	<u>142,224</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 142,224</u>	<u>\$ 3,319</u>	<u>\$(138,905)</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 FOOD PANTRY
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Donations	\$ --	\$ 25,050	\$ 25,050	\$ --
Total Revenues	<u> --</u>	<u>25,050</u>	<u>25,050</u>	<u> --</u>
EXPENDITURES				
Current				
Health and welfare	<u> --</u>	<u>25,135</u>	<u>25,135</u>	<u> --</u>
Total Expenditures	<u> --</u>	<u>25,135</u>	<u>25,135</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u> --</u>	<u>(85)</u>	<u>(85)</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u> --</u>	<u>(85)</u>	<u>(85)</u>	<u> --</u>
FUND BALANCES - BEGINNING OF YEAR	<u> 401</u>	<u> 401</u>	<u> 401</u>	<u> --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 401</u>	<u>\$ 316</u>	<u>\$ 316</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION
 For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 248,219	\$ 118,407	\$ (129,812)
Charges for services	<u>60,572</u>	<u>28,335</u>	<u>(32,237)</u>
Total Revenues	<u>308,791</u>	<u>146,742</u>	<u>(162,049)</u>
EXPENDITURES			
Current			
Health and welfare	<u>670,547</u>	<u>328,436</u>	<u>342,111</u>
Total Expenditures	<u>670,547</u>	<u>328,436</u>	<u>342,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(361,756)	(181,694)	<u>180,062</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer - in	<u>361,756</u>	<u>181,694</u>	<u>(180,062)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>361,756</u>	<u>181,694</u>	<u>(180,062)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	--	--	--
FUND BALANCES - BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 LAKEVIEW AREA SEWER PROJECT
 For the Year Ended December 30, 2005

	<u>Original Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenue	\$ 500,000	\$ --	\$ (500,000)
Total Revenues	<u>500,000</u>	<u>--</u>	<u>(500,000)</u>
EXPENDITURES			
Current			
General government	32,000	--	32,000
Capital outlay	<u>851,000</u>	<u>52,381</u>	<u>798,619</u>
Total Expenditures	<u>883,000</u>	<u>52,381</u>	<u>830,619</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(383,000)	(52,381)	330,619
OTHER FINANCING SOURCES (USES)			
Operating transfer - in	<u>383,000</u>	<u>52,381</u>	<u>330,619</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>383,000</u>	<u>52,381</u>	<u>330,619</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	--	--	--
FUND BALANCES - BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	\$ <u>--</u>	\$ <u>--</u>	\$ <u>--</u>

WALKER COUNTY, GEORGIA
 BUDGETARY COMPARISON SCHEDULE
 SPLOST III
 For the Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES			
Other taxes	\$18,967,286	\$ --	\$(18,967,286)
Investment earnings	<u> --</u>	<u> 537</u>	<u> 537</u>
Total Revenues	<u>18,967,286</u>	<u> 537</u>	<u>(18,966,749)</u>
EXPENDITURES			
Current			
General government	--	750	(750)
Capital outlay	<u>18,967,286</u>	<u>507,084</u>	<u>18,460,202</u>
Total Expenditures	<u>18,967,286</u>	<u>507,834</u>	<u>18,459,452</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(--)	(507,297)	(507,297)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	--	(507,297)	(507,297)
FUND BALANCES - BEGINNING OF YEAR	<u> --</u>	<u>507,297</u>	<u>507,297</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

COMPLIANCE

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

7030 LEE HIGHWAY • SUITE 202 • CHATTANOOGA, TENNESSEE 37421
TELEPHONE: (423) 490-8500 • FAX: (423) 490-4400
admin@bphcpa.com

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, 2005, which except for the component unit audited by other auditors, collectively comprise the Walker County, Georgia, basic financial statements and have issued our report thereon dated January 10, 2006. 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 04-2 through 05-1.

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 item 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, Pearfman, Nelson, Huggins, PLLC

Chattanooga, Tennessee
January 10, 2006

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

7030 LEE HIGHWAY • SUITE 202 • CHATTANOOGA, TENNESSEE 37421
TELEPHONE: (423) 490-8500 • FAX: (423) 490-4400
admin@bphcpa.com

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, 2005. 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, 2005. 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, 2005.

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, Pausman, Nelson, Higgins, PLLC

Chattanooga, Tennessee
January 10, 2006

WALKER COUNTY, GEORGIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended September 30, 2005

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF JUSTICE			
Direct Award			
Bureau of Justice Assistance Multi-Jurisdictional Task Force	16.579		\$ 273,548
Passed through State Council of Juvenile Court Judges			
Purchase of services for Juvenile Offenders Program	16.523	02B-CN-0003 03B-CN-0003 04B-ST-0001	52,304
Passed through State Criminal Justice Coordinating Council			
Victims of Crime Act (VOCA)	16.575	C04-8-126	<u>62,318</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>388,170</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Passed through State Department of Transportation			
Transit Operating Assistance	20.509	GA-18-9024 GA-18-9023	<u>242,618</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Georgia Department of Natural Resources			
Erosion and Sedimentation Control Enforcement Program	66.460	751-50029	<u>61,787</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Georgia Emergency Management Agency			
Local all hazards emergency planning agreement	83.562	17PDMC03014295	<u>5,515</u>
DEPARTMENT OF EDUCATION			
Passed through Georgia Department of Education			
Even Start - State Educational Agencies	84.213	Title 1-B3	<u>190,862</u>
U.S. DEPARTMENT OF HUMAN SERVICES			
Direct Award			
Public Heartland Social Services Emergency Fund	93.003		23,831
Passed through Georgia Secretary of State			
Election Access to People with Disabilities	93.617	478c0505-10136(146)	<u>18,592</u>
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			<u>42,423</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Georgia Emergency Management Agency			
State homeland security grant program	97.004	2003-MU-T3-0010 2002-TE-CX-0125	202,648
Passed through Georgia Emergency Management Agency			
Fire-Disaster Mitigation Program	97.047	17PDMC03014295	16,050
Passed through Georgia Office of Planning and Budget			
Citizens' Emergency Response Team	97.073	2005-T5-0052	<u>11,393</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>230,091</u>
TOTAL FEDERAL ASSISTANCE			<u>\$1,161,688</u>

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2005

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 Year Ended September 30, 2005

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

- 02-1 Previously reported corrective action plan implemented. The finding is closed.
- 04-1 Previously reported corrective action plan implemented. The finding is closed.
- 04-2 The County has failed to implement the corrective action plan. The County has ordered a new software upgrade to track employee leave. All departments have been informed of the leave policy.
- 04-3 Previously reported corrective action plan implemented. The finding is closed.
- 04-4 The County has failed to implement the corrective action plan. A policy is being developed to keep adequate records of cash to secure balances.
- 04-5 The County has failed to implement the corrective action plan. A policy is being developed to reconcile cash disbursements to cash receipts.
- 04-6 The County has failed to implement the corrective action plan. The County is in the process of establishing procedures for a grant coordinator.
- 04-7 The County has failed to implement the corrective action plan. An employee information change form has been developed but not placed in service.

WALKER COUNTY, GEORGIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2005

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:

CFDA Number	Name of Federal Programs or Cluster
16.575	U.S. Department of Justice Crime Victim Assistance
16.579	U.S. Department of Justice Byrne Formula Grant Program
66.460	U.S. Environmental Protection Division Nonpoint Source Implementation Grants
84.213	Department of Education Even Start State Educational Agencies

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

Auditee qualified as low-risk auditee? Yes No

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

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.

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 04-4:

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.

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.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005
(Continued)

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.

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.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005

Finding 05-1:

Condition: The Clerk of Court's office is not depositing cash receipts in the Superior Court criminal account in a timely manner.

Criteria: Procedures should be in place to safeguard cash from loss or misappropriation.

Effect: Failure to make daily deposits makes the funds more susceptible to misappropriation.

Recommendation: Procedures should be implemented to require that cash receipts be deposited daily in order to make funds available in a more timely manner and to decrease the risk of loss or misappropriation.

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 APRIL 24, 2003
 For the Year Ended September 30, 2005

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Water and sewer projects	\$ 5,000,000	\$ 181,952	\$ 278,104	\$ 460,056	10%
Fire hydrants	500,000	--	--	--	--
Emergency services	4,500,000	3,555,407	271,825	3,827,232	85
Technology	500,000	347,863	111,298	459,161	90
Animal shelter	300,000	--	149,556	149,556	50
Historical projects	200,000	184,923	132,569	317,492	100
Recreation	500,000	16,542	45,102	61,644	10
Roads, bridges, and road department equipment	4,875,000	1,399,530	1,334,883	2,734,413	55
Building construction and improvements	250,000	314,213	192,270	506,483	100
Industrial park improvements	<u>4,000,000</u>	--	--	--	--
Total for all projects	<u>\$20,625,000</u>	<u>\$ 6,000,430</u>	<u>\$ 2,515,607</u>	<u>\$ 8,516,037</u>	

WALKER COUNTY, GEORGIA
 SCHEDULE OF PROJECTS CONSTRUCTED WITH
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
 ADOPTED MARCH 17, 1998
 For the Year Ended September 30, 2005

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		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	990,708	--	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	4,811,779	507,084	5,318,863	90
Administration	--	28,101	750	28,851	--
Total for all projects	<u>\$18,750,000</u>	<u>\$16,307,957</u>	<u>\$ 507,834</u>	<u>\$16,815,791</u>	

LOCAL GOVERNMENT AUDIT REPORT REVIEW CHECKLIST (GASBS 34)

GOVERNMENT: Walker County GrA FYE: 9/30/05
 REVIEWER: _____ REVIEW DATE: _____

Date original report received: _____ Agrees with log _____ Date revisions received: _____ Agrees with log _____

_____ Items are cited which are marked with a 1 and must be corrected for the report to comply with state law.

_____ Items are cited which are marked with a 2 but were cited in prior year review and must be corrected this year.

_____ Items are cited which are marked with a 2 and must be corrected next year.

_____ Items are cited which are marked with a 3 and are recommended to improve the quality of the audit report.

_____ The audit report was in substantial compliance with reporting standards and statutory requirements.

Total Expenses of Primary Government 24,177,794
 Total Expenses of Component Units 1,634,863
 Total Expenses of Reporting Entity 25,812,657

Corrective Action Plan Required? (Circle one) NO YES if yes, date rec'd: _____

The following symbols have been used to cite reference material:

Authoritative

- OCCA- Official Code of Georgia Annotated.
- GASB[34] Codification of Governmental Accounting and Financial Reporting Standards
 Governmental Accounting Standards Board (as of June 30, 2003)
- GASBS 34 Statement No. 34 of the Governmental Accounting Standards Board
- FAS Accounting Standards, Financial Accounting Standards Board
- GAS Government Auditing Standards (2003 Revision)
- ASLG[34] Audits of State and Local Governments (GASB 34 Edition), American Institute of Certified Public Accountants (issued September 1, 2002)
- APB- Accounting Principles Board
- AU- Codification of Statements on Auditing Standards, American Institute of Certified Public Accountants (copyright 2003 covering effective Statements 1-101).
- SAG Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards (Issued May 2003, with conforming changes as of May 1, 2003), American Institute of Certified Public Accountants (see paragraph 1.7 for effective date)

Nonauthoritative

- GAAFR 34 Governmental Accounting, Auditing, and Financial Reporting, "Using the 34 Model."
 Government Finance Officers Association (2001 Edition with 2002 Update).

Any questions concerning local government audit reviews should be addressed to Edward Blaha, Director, Georgia Department of Audits and Accounts, Nonprofit and Local Government Audits Division, 254 Washington Street, Room 138, Atlanta, Georgia 30334-8400 or telephone (404) 651-5115 or e-mail blahaef@mail.audits.state.ga.us.

For information of concern to local governments, visit the Department of Audits and Accounts web site at www.audits.state.ga.us

Revision Date 7/29/04

Item No.	Criteria	*	(Sec. 5 Only) Note #	Correct Incorrect N/A
Cover				
A1.	The report cover should indicate the name of the government and the state in which it is located. (GAAFR 34, page 244)	3		C
A2.	The report cover should note the fiscal period the report is intended to cover (e.g. "for the fiscal year ended month, date, year). (GAAFR 34, page 244)	3		C
A3.	If the government preparing the CAFR is a component unit of another government, the cover should include a reference to the primary government. (GAAFR 34, page 244)	3		N/A
A4.	If the report is identified as a "Comprehensive Annual Financial Report," it should contain the required introductory and statistical sections. (GASB[34] 2200.105) <i>(Note to reviewer: If the report is identified as a CAFR, it should contain all items listed in GASB[34] 2200.105. If the report does not contain the introductory and statistical sections, the report should not be identified as a CAFR.)</i>	1		N/A
Table of Contents				
A5.	The report should contain a table of contents. (GASB[34] 2200.105; GAAFR 34, page 244)	2 3		C
A6.	The table of contents should list the auditor's report (opinion of an independent public accounting firm) as the first item in the financial section of the report. (GASB[34] 2200.105; GAAFR 34, page 250)	2 -		C
A7.	The table of contents should subdivide the financial section between 1) the basic financial statements, including the accompanying notes, 2) RSI, and 3) other contents of the financial section (combining and individual fund presentations and supplementary information). (GASB[34] 2200.105; GAAFR 34, page 244)	2 -		C
A8.	The table of contents should identify each statement and schedule by its full title. (GAAFR 34, page 244)	3		C
A9.	The table of contents should indicate the page number reference for each statement and schedule. If statements and schedules are identified by exhibit numbers, these also may be presented in the table of contents to supplement (but not replace) page number references. (GAAFR 34, page 244)	3		C
Auditor's Report				
B1.	The report should include an opinion certifying or attesting to the reliability of the financial statements by a person, partnership, association or corporation holding a live permit for the practice of public accountancy. (OCGA 43-3-35) <i>(Note to Reviewer: If this requirement is in question, status can be verified on the Internet Web site of the Georgia Secretary of State.)</i>	1		C

Item No.	Criteria	*	(Sec. 5 Only) Note #	Correct Incorrect N/A
B2.	The introductory paragraph of the auditor's report should refer to the audit of the financial statements of each opinion unit, even though some of those opinion units do not have distinct or separate financial statements. (ASLG[34] 14.13) <i>(Note: ASLG[34] 14.78 ,Example 14A illustrates the following for the introductory paragraph of the auditors report to meet this requirement: "We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Example, Any State, as of and for the year ended June 30, 20X1, which collectively comprise the city's basic financial statements as listed in the table of contents.")</i>	2		C
B3.	The audit report should state that the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States. (OCGA 36-81-7; GAS 5.11; ASLG[34] 14.78)	1		C
B4.	When the report on the financial statements is submitted to comply with a requirement for an audit in accordance with <i>Government Auditing Standards</i> , audit reports should state that the audit was made in accordance with generally accepted government auditing standards. The AICPA's <i>Audits of State and Local Governmental Units</i> recommends the following language be included in the auditor's report to meet this requirement: "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 <i>Government Auditing Standards</i> issued by the Comptroller General of the United States." (ASLG[34], Appendix D, Example 1)	3		C
B5a.	The auditor's report on the basic financial statements should include: (AU 508.08)	2		
B5b.	a title that includes the word <i>independent</i>	2		C
B5c.	a statement that the financial statements identified in the report were audited	2		C
B5d.	a statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on the audit <i>(Note: ASLG[34] 14.14 requires the introductory paragraph of the audit report state that the auditor's responsibility is to express "opinions" on the financial statements based on his or her audit)</i>	2		C

Item No.	Criteria	*	(Sec. 8 Only) Note #	Correct Incorrect N/A
B5e.	A statement that the audit was conducted in accordance with generally accepted auditing standards and an identification of the United States of America as the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards).	2		C
B5f.	a statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement <i>(Note: ASLG[34] 14.14 states, "Even though the auditor's report generally will provide more than one opinion, the auditor is only conducting one audit. Therefore, the scope paragraph refers to only one audit.")</i>	2		C
B5g.	a statement that an audit includes (1) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements (2) assessing the accounting principles used and significant estimates made by management (3) evaluating the overall financial statement presentation	2		C
B5h.	a statement that the auditor believes that the audit provides a reasonable basis for the auditor's opinion <i>(Note: ASLG[34] 14.14 requires the introductory paragraph of the audit report state that the auditor's responsibility is to express "opinions" on the financial statements based on his or her audit. The scope paragraph should also refer to the auditor's "opinions".)</i>	2		C
B5i.	An opinion as to whether the financial statements present fairly, in all material respects, the financial position as of the balance sheet date and the results of operations and cash flows for the period then ended in conformity with generally accepted accounting principles. The opinion should include an identification of the United States of America as the country of origin of those accounting principles (for example, accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles).	2		C
B5j.	the manual or printed signature of the auditor's firm	2		C
B5k.	the date of the audit report	2		C

Item No.	Criteria	*	(Sec. S Only) Note #	Correct Incorrect N/A
B6.	<p>The auditor's standard report on a government's basic financial statements should state that the financial statements present fairly, in all material respects, the financial position, changes in financial position, and cash flows, where applicable of each opinion unit in those financial statements in conformity with GAAP. (ASLG[34] 14.12)</p> <p><i>(Note: ASLG[34] 14.78, Example 14 A illustrates the following for the opinion paragraph of the auditors report to meet this requirement: "In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Example, Any State, as of June 30, 20X1, 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.)</i></p>	2		C
B7.	<p>Year-to-year changes in major funds are not considered changes in accounting principles affecting consistency, and thus no modification to the auditor's report is needed. (ASLG[34] 14.39)</p>	2		N/A
B8.	<p>The adoption of GASB Statement No. 34 constitutes a change in accounting principles that, unless immaterial, will require the auditor's report to include an explanatory paragraph regarding consistency. (ASLG[34] 14.76)</p> <p><i>(Note: ASLG[34] 14.76 recommends the following, "As described in Note X, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 20X1.")</i></p>	2		N/A
B9.	<p>The omission of required supplementary information (RSI) or the presentation of RSI in a manner that does not meet the standard established by GASB will not affect the auditor's conclusion regarding the fair presentation of the basic financial statements. (ASLG[34] 14.52)</p>	2		N/A
B10.	<p>If the required budgetary comparison information is presented as a basic financial statement, the opinion paragraph should refer to the budgetary comparisons for those funds. (ASLG[34] 14.14)</p>	2		N/A

Item No.	Criteria	*	(Sec. S Only) Note #	Correct Incorrect N/A
B11.	The auditor's report on the financial statements should either (1) describe the scope of the auditors' testing of compliance with laws and regulations and internal controls and present the results of those tests or (2) refer to separate reports containing that information. When auditors report separately on compliance with laws and regulations and internal control over financial reporting, the report on the financial statements should state that they have issued the additional report. It should also state that the report on compliance with laws and regulations and internal control over financial reporting is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> , and in considering the results of the audit, that the report(s) should be read in conjunction with the auditor's report on the financial statements. (GAS 5.08; ASLG[34], Appendix D, Example 1)	2		C
B12.	When the principal auditor decides to make reference to the audit of another auditor, the principal auditor's report should indicate clearly, in both the introductory, scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by the audit of the principal auditor and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor. (AU 543.07) <i>(Note to Reviewer: Example format is included in AU 543.09.)</i>	2		C
B13.	When financial statements are materially affected by a departure from generally accepted accounting principles (GAAP), the auditor should express a qualified or adverse opinion. All of the substantive reasons leading to the conclusion that there has been a departure from GAAP should be disclosed in explanatory paragraphs preceding the opinion paragraph. If practicable, the explanatory paragraph(s) should also disclose the principal effects of the subject matter on financial position, results of operations, and cash flows. (AU 508.35-.60)	2		N/A
B14.	When an auditor-submitted document contains RSI, the auditor is required to disclaim an opinion on the information. When a client-prepared document contains RSI, the auditor has no reporting requirement but may voluntarily disclaim an opinion on the RSI. (ASLG[34] 14.55)	2		C

Item No.	Criteria	*	(Sec. S Only) Note #	Correct Incorrect N/A
B15.	<p>If the auditor is engaged to report on some or all of the SI, the auditor should include either an opinion on whether that SI is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion. If the auditor is not engaged to report on SI, the auditor may choose to issue a disclaimer of opinion on the SI or ask the government to label the SI as unaudited. (ASLG[34] 14.60)</p> <p><i>(Note to Reviewer: ASLG [34] 14.60 Footnote 21 states that "Often the terms of an engagement require the auditor to report only on supplementary information other than RSI, known as SI, that is financially oriented; in those situations, the auditor can express an opinion on that SI. However, sometimes the terms of an engagement require the auditor to report on all SI, including letters of transmittal and other introductory information and statistical data, which typically include information that is not financially oriented. For SI that is not financially oriented, the auditor cannot express an opinion and should disclaim an opinion.")</i></p>	2		C
B16.	<p>An auditor is required to report on required information (RSI) if:</p> <ul style="list-style-type: none"> a. the supplementary information required by FASB or GASB is omitted b. the auditor has concluded that the measurement or presentation of the supplementary information departs materially from prescribed guidelines c. the auditor is unable to complete the prescribed procedures d. the auditor is unable to remove substantial doubts about whether the supplementary information conforms to prescribed deadlines <p>(ASLG[34] 14.54)</p> <p><i>(Note: ASLG[34] 14.54 includes an example format of the explanatory paragraph)</i></p>	2		N/A
B17.	<p>Reference to the financial statements <i>taken as a whole</i> applies not only to the financial statements of the current period but also to those of one or more prior periods that are presented on a comparative basis with those of the current period. Therefore, a continuing auditor should update the report on the individual financial statements of the one or more prior periods presented on a comparative basis with those of the current period. (AU 508.65)</p> <p><i>(Note to reviewer: Footnote 24 of AU 508 states, in part, that "a continuing auditor need not report on the prior-period financial statements if only summarized comparative information of the prior period(s) is presented. For example, entities such as state and local governmental units and not-for-profit organizations frequently present total-all-funds information for the prior period(s) rather than information by individual funds because of space limitations or to avoid cumbersome or confusing formats.")</i></p>	2		N/A

Item No.	Criteria	*	(Sec. S Only) Note #	Correct Incorrect N/A
B18.	A change in the reporting entity is a special type of change in accounting principle, which results in financial statements that, in effect, are those of a different reporting entity. This type includes changing the entities included in combined financial statements. This type of change requires recognition in the auditor's report through inclusion of an explanatory paragraph. (AU 420.07-.08) <i>(Note to Reviewer - Refer to section Y of this checklist for a listing of entities determined to be component units which should be included in the government's financial statements.)</i>	2		N/A
B19.	In accordance with the provisions of Audits of States, Local Governments and Not-for-Profits Organizations Receiving Federal Awards, par. 10.35, the auditor's report on the financial statements should include: a. a description of the accompanying supplementary information (for example, the schedule of expenditures of federal awards, combining and individual fund and account group financial statements and schedules, combining and individual nonmajor fund financial statements and schedules). This identification may be by descriptive title or by page number of the document. b. a statement that the accompanying supplementary information, including the schedule of expenditures of federal awards required by Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. c. an opinion on whether the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. <i>(Note to Reviewer: If the schedule of expenditures of federal awards is not presented with the financial statements, consult SAG, par. 10.36 and 10.47)</i>	2		C C C
Management Discussion & Analysis (MD&A)				
C1.	The basic financial statements should be preceded by the Management Discussion and Analysis (MD&A), which is required supplementary information (RSI). (GASB[34] 2200.106; GAAFR 34, page 138)	3		C
C2.	The financial section should begin with the independent auditor's report on the fair presentation of the financial statements. (GAAFR 34, page 250)	3		C
C3.	The MD&A should include a brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. (GASB[34] 2200.109; GAAFR 34, page 251)	3		C

Item No.	Criteria	3	4	5	6
C4a.	The MD&A should contain condensed financial information derived from government-wide financial statements comparing the current year to the prior year. Governments should present the information needed to support their analysis of financial position and results of operations including the following elements, if relevant (GASB[34] 2200.109; GAAFR 34, page 252)	3			C
C4b.	Total assets, distinguishing between capital and other assets	3			C
C4c.	Total liabilities, distinguishing between long-term liabilities and other liabilities.	3			C
C4d.	Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts	3			C
C4e.	Program revenues, by major source	3			C
C4f.	General revenues, by major source	3			C
C4g.	Total revenues	3			C
C4h.	Program expenses, at a minimum by function	3			C
C4i.	Total expenses	3			C
C4j.	Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers.	3			C
C4k.	Contributions	3			N/A
C4l.	Special and extraordinary items	3			N/A
C4m.	Transfers	3			N/A
C4n.	Change in net assets	3			C
C4o.	Ending net assets	3			C
C5.	The MD&A should include an analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. Reasons for significant changes from the prior year should be provided. In addition, important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed. (GASB[34] 2200.109; GAAFR 34, page 252)	3			C