

WALKER COUNTY, GEORGIA

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2001

BURK & PEARLMAN
NEBBEN & HUGGINS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

WALKER COUNTY GEORGIA

ANNUAL FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2001

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WALKER COUNTY GEORGIA

ANNUAL FINANCIAL STATEMENTS

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FINANCIAL

**BURK PEARLMAN
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INDEPENDENT AUDITOR'S REPORT

Commissioner
Walker County, Georgia
LaFayette, Georgia 30728

We have audited the accompanying general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of Walker County, Georgia's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the component unit, the Walker County Health Department which statements reflect total assets of \$1,346,417 as of June 30, 2001, and total revenues of \$1,989,796 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the general purpose 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.

Except as discussed in the following paragraph, 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 *Governmental 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our opinion.

As described more fully in Note 1, the general purpose financial statements referred to above do not include general fixed assets acquired prior to 1984. In our opinion, accounting principles generally accepted in the United States of America require that these assets be included in the balance sheet.

As described in Note 1 to the general purpose financial statements, Walker County, Georgia, changed its determination of which component units should be included in the reporting entity.

The opinion of the other auditors on the June 30, 2001, financial statements of the component unit, Walker County Health Department, was qualified because the Walker County Health Department recognized revenues which were available and measurable in the prior fiscal year, in the current year, when disbursed; however, in our opinion, the effects of this revenue recognition policy are not material in relation to the general purpose financial statements.

In our opinion, except for the effects on the financial statements of not capitalizing general fixed assets acquired prior to 1984 referred to above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Walker County, Georgia, as of September 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the fiscal 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 24, 2002, on our consideration of Walker County, Georgia's internal control over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual 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 general purpose financial statements of Walker County, Georgia. The accompanying schedule of expenditures of federal awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States and Local Government 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 presented for the purpose of additional analysis and are also not a required part of the general purpose financial statements of Walker County, Georgia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Burd, Pearman, Nelson, Higgins, PLLC

Chattanooga, Tennessee
January 24, 2002

WALKER COUNTY, GEORGIA
 COMBINED BALANCE SHEET
 ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
 SEPTEMBER 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS			
Cash	\$1,527,133	\$ 336,269	\$1,406,147
Investments	--	--	--
Receivables (net of allowances for uncollectible):			
Taxes	23,168	--	--
Accounts	79,028	29,679	--
Grants	244,602	--	--
Interest	4,893	--	--
Due from other funds	559,364	118,654	424,930
Due from other governments	2,050,562	--	498,377
Fixed assets - Net of accumulated depreciation	--	--	--
Restricted cash	71,681	--	342,075
Amount to be provided for retirement of general long-term debt	--	--	--
TOTAL ASSETS	<u>\$4,560,431</u>	<u>\$ 484,602</u>	<u>\$2,671,529</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable and accrued expenses	\$ 686,585	\$ --	\$ --
Compensated absences	16,091	--	--
Due to other funds	428,113	30,634	--
Due to other governments	180,125	--	--
Due to heirs, litigants and others	--	--	--
Deferred revenues	23,702	301,019	--
Capital leases	--	--	--
Landfill closure and postclosure care costs	--	--	--
Note and bonds payable	--	--	--
TOTAL LIABILITIES	<u>1,334,616</u>	<u>331,653</u>	<u>--</u>
FUND EQUITY			
Investment in general fixed assets	--	--	--
Contributed capital	--	--	--
Retained earnings (deficit)	--	--	--
Fund balances:			
Reserved for completion of projects	--	--	2,671,529
Reserved for employees pension benefits	--	--	--
Reserved for program income fund	--	--	--
Unreserved, undesignated	3,225,815	152,949	--
TOTAL FUND EQUITY	<u>3,225,815</u>	<u>152,949</u>	<u>2,671,529</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$4,560,431</u>	<u>\$ 484,602</u>	<u>\$2,671,529</u>

See accompanying notes to financial statements.

Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)	Component Unit	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	Primary Government	Health Department	Reporting Entity
\$ 418	\$ 7,715	\$2,858,389	\$ --	\$ --	\$ 6,136,071	\$ 962,060	\$ 7,098,131
--	--	3,325,964	--	--	3,325,964	--	3,325,964
--	--	2,300,395	--	--	2,323,563	--	2,323,563
78,846	--	1,338,385	--	--	1,525,938	11,274	1,537,212
--	--	--	--	--	244,601	--	244,602
--	--	--	--	--	4,893	--	4,893
--	3,183	--	--	--	1,106,131	--	1,106,131
--	--	--	--	--	2,548,939	88,135	2,637,074
4,414,098	--	--	33,706,033	--	38,120,131	210,471	38,330,602
1,090,208	--	36,120	--	--	1,540,084	--	1,540,084
--	--	--	--	10,135,369	10,135,369	74,477	10,209,846
<u>\$5,583,570</u>	<u>\$ 10,898</u>	<u>\$9,859,253</u>	<u>\$33,706,033</u>	<u>\$10,135,369</u>	<u>\$67,011,685</u>	<u>\$1,346,417</u>	<u>\$68,358,102</u>
\$ 783,260	\$ 6,841	\$ --	\$ --	\$ --	\$ 1,476,686	\$ 46,505	\$ 1,523,191
--	--	--	--	373,756	389,847	74,477	464,324
120,351	--	527,033	--	--	1,106,131	--	1,106,131
--	--	5,450,737	--	--	5,630,862	80,521	5,711,383
--	--	555,519	--	--	555,519	--	555,519
--	--	--	--	--	324,721	61,892	386,613
1,090,208	--	--	--	5,651,613	6,741,821	--	6,741,821
2,966,874	--	--	--	--	2,966,874	--	2,966,874
--	--	--	--	4,110,000	4,110,000	--	4,110,000
<u>4,960,693</u>	<u>6,841</u>	<u>6,533,289</u>	<u>--</u>	<u>10,135,369</u>	<u>23,302,461</u>	<u>263,395</u>	<u>23,565,856</u>
--	--	--	33,706,033	--	33,706,033	210,471	33,916,504
831,641	--	--	--	--	831,641	--	831,641
(208,764)	4,057	--	--	--	(204,707)	--	(204,707)
--	--	--	--	--	2,671,529	--	2,671,529
--	--	3,325,964	--	--	3,325,964	--	3,325,964
--	--	--	--	--	--	157,390	157,390
--	--	--	--	--	3,378,764	715,161	4,093,925
<u>622,877</u>	<u>4,057</u>	<u>3,325,964</u>	<u>33,706,033</u>	<u>--</u>	<u>43,709,224</u>	<u>1,083,022</u>	<u>44,792,246</u>
<u>\$5,583,570</u>	<u>\$ 10,898</u>	<u>\$9,859,253</u>	<u>\$33,706,033</u>	<u>\$10,135,369</u>	<u>\$67,011,685</u>	<u>\$1,346,417</u>	<u>\$68,358,102</u>

See accompanying notes to financial statements.

WALKER COUNTY, GEORGIA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
REVENUES			
Property taxes	\$ 3,396,072	\$ --	\$ --
Other taxes	5,870,298	--	3,406,948
Licenses and permits	38,337	--	--
Charges for services	543,282	1,363,285	--
Intergovernmental revenue	1,310,591	--	300,000
Fines and forfeitures	1,675,227	44,798	--
Investment earnings	402,383	2,021	95,945
Rental income	327,790	316	--
Other	514,859	--	--
TOTAL REVENUES	<u>14,078,839</u>	<u>1,410,420</u>	<u>3,802,893</u>
EXPENDITURES			
Current			
General government	3,500,409	--	12,677
Judicial	2,148,031	54,781	--
Sheriff	4,549,758	--	--
Public safety	350,423	1,119,737	--
Public works	1,884,602	--	--
Culture and recreation	126,783	--	--
Health and welfare	1,047,293	--	--
Housing and development	220,251	--	--
Capital expenditures	1,266,442	191,020	5,334,468
Debt service - principal	253,098	201,680	1,700,000
Debt service - interest	177,166	85,591	244,910
TOTAL EXPENDITURES	<u>15,524,256</u>	<u>1,652,809</u>	<u>7,292,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,445,417)</u>	<u>(242,389)</u>	<u>(3,489,162)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfer - in	37,335	246,409	--
Operating transfer - out	(246,409)	(37,335)	--
Proceeds from capital leases	738,926	120,177	--
TOTAL OTHER FINANCING SOURCES (USES)	<u>529,852</u>	<u>329,251</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(915,565)</u>	<u>86,862</u>	<u>(3,489,162)</u>
Fund balance - October 1	4,000,088	66,087	6,160,691
Prior period adjustment	208,377	--	--
Fund balance as restated	<u>4,208,465</u>	<u>66,087</u>	<u>6,160,691</u>
Residual equity transfer-out	(67,085)	--	--
Fund balance - September 30	<u>\$ 3,225,815</u>	<u>\$ 152,949</u>	<u>\$ 2,671,529</u>

See accompanying notes to financial statements.

Totals (Memorandum Only) Primary <u>Government</u>	<u>Component Unit Health Department</u>	Totals (Memorandum Only) Reporting <u>Entity</u>
\$ 3,396,072	\$ --	\$ 3,396,072
9,277,246	--	9,277,246
38,337	--	38,337
1,906,567	444,139	2,350,706
1,610,591	1,516,615	3,127,206
1,720,025	--	1,720,025
500,349	25,619	525,968
328,106	--	328,106
<u>514,859</u>	<u>3,423</u>	<u>518,282</u>
<u>19,292,152</u>	<u>1,989,796</u>	<u>21,281,948</u>
3,513,086	--	3,513,086
2,202,812	--	2,202,812
4,549,758	--	4,549,758
1,470,160	--	1,470,160
1,884,602	--	1,884,602
126,783	--	126,783
1,047,293	1,785,707	2,833,000
220,251	--	220,251
6,791,930	70,104	6,862,034
2,154,778	--	2,154,778
<u>507,667</u>	<u>--</u>	<u>507,667</u>
<u>24,469,120</u>	<u>1,855,811</u>	<u>26,324,931</u>
(5,176,968)	<u>133,985</u>	(5,042,983)
283,744	--	283,744
(283,744)	--	(283,744)
<u>859,103</u>	<u>--</u>	<u>859,103</u>
<u>859,103</u>	<u>--</u>	<u>859,103</u>
(4,317,865)	<u>133,985</u>	(4,183,880)
10,226,866	738,298	10,965,164
<u>208,377</u>	<u>268</u>	<u>208,645</u>
<u>10,435,243</u>	<u>738,566</u>	<u>11,173,809</u>
(67,085)	<u>--</u>	(67,085)
<u>\$ 6,050,293</u>	<u>\$ 872,551</u>	<u>\$ 6,922,844</u>

See accompanying notes to financial statements.

WALKER COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 3,050,214	\$ 3,396,072	\$ 345,858
Other taxes	6,046,368	5,870,298	(176,070)
Licenses and permits	37,600	38,337	737
Charges for services	434,000	543,282	109,282
Intergovernmental revenue	1,208,571	1,310,591	102,020
Fines and forfeitures	1,587,920	1,675,227	87,307
Investment earnings	145,000	402,383	257,383
Rental income	358,000	327,790	(30,210)
Other	649,066	514,859	(134,207)
TOTAL REVENUES	13,516,739	14,078,839	562,100
EXPENDITURES			
Current			
General government	3,410,024	3,500,409	(90,385)
Judicial	2,027,727	2,148,031	(120,304)
Sheriff	4,250,797	4,549,758	(298,961)
Public safety	320,639	350,423	(29,784)
Public works	1,703,175	1,884,602	(181,427)
Culture and recreation	128,700	126,783	1,917
Health and welfare	992,900	1,047,293	(54,393)
Housing and development	187,016	220,251	(33,235)
Capital expenditures	1,098,839	1,266,442	(167,603)
Debt service - principal	270,790	253,098	17,692
Debt service - interest	177,000	177,166	(166)
TOTAL EXPENDITURES	14,567,607	15,524,256	(956,649)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,050,868)	(1,445,417)	(394,549)
OTHER FINANCING SOURCES (USES):			
Operating transfer - out	(378,851)	(246,409)	132,442
Operating transfer - in	--	37,335	37,335
Proceeds from capital leases	738,926	738,926	--
TOTAL OTHER FINANCING SOURCES (USES)	360,075	529,852	169,777
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$(690,793)	(915,565)	\$(224,772)
Fund balance - October 1		4,000,088	
Prior period adjustment		208,377	
Fund balance as restated		4,208,465	
Residual equity transfer-out		(67,085)	
Fund balance - September 30		\$ 3,225,815	

See accompanying notes to financial statements.

Special Revenue Funds			Capital Projects		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	27,750,000	3,406,948	(24,343,052)
--	--	--	--	--	--
1,185,000	1,363,285	178,285	--	--	--
--	--	--	--	300,000	300,000
--	44,798	44,798	--	--	--
--	2,021	2,021	--	95,945	95,945
--	316	316	--	--	--
--	--	--	--	--	--
<u>1,185,000</u>	<u>1,410,420</u>	<u>225,420</u>	<u>27,750,000</u>	<u>3,802,893</u>	<u>(23,947,107)</u>
--	--	--	--	12,677	(12,677)
--	54,781	(54,781)	--	--	--
--	--	--	--	--	--
1,120,250	1,119,737	513	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
496,471	191,020	305,451	27,750,000	5,334,468	22,415,532
201,680	201,680	--	--	1,700,000	(1,700,000)
85,591	85,591	--	--	244,910	(244,910)
<u>1,903,992</u>	<u>1,652,809</u>	<u>251,183</u>	<u>27,750,000</u>	<u>7,292,055</u>	<u>20,457,945</u>
(718,992)	(242,389)	476,603	--	(3,489,162)	(3,489,162)
--	(37,335)	(37,335)	--	--	--
256,420	246,409	(10,011)	--	--	--
422,151	120,177	(301,974)	--	--	--
<u>678,571</u>	<u>329,251</u>	<u>(349,320)</u>	--	--	--
<u>\$ (40,421)</u>	<u>86,862</u>	<u>\$ 127,283</u>	<u>\$ --</u>	<u>(3,489,162)</u>	<u>\$ (3,489,162)</u>
	66,087			6,160,691	
	--			--	
	66,087			6,160,691	
	--			--	
	<u>\$ 152,949</u>			<u>\$ 2,671,529</u>	

See accompanying notes to financial statements.

WALKER COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Internal Service	
OPERATING REVENUES			
Charges for services	1,228,520	63,182	1,291,702
TOTAL OPERATING REVENUES	1,228,520	63,182	1,291,702
OPERATING EXPENSES			
Salaries	161,193	--	161,193
Employee benefits	27,254	--	27,254
Purchased services	114,402	--	114,402
Professional fees	21,160	--	21,160
Utilities	5,051	--	5,051
Repairs and maintenance	15,392	--	15,392
Claims paid	--	73,701	73,701
Depreciation and amortization	72,391	--	72,391
Bad debts	20,000	--	20,000
Supplies	14,598	--	14,598
Waste disposal	1,050,108	--	1,050,108
TOTAL OPERATING EXPENSES	1,501,549	73,701	1,575,250
Net income (loss)	(273,029)	(10,519)	(283,548)
Depreciation on contributed assets	64,265	--	64,265
Net decrease in retained earnings	(208,764)	(10,519)	(219,283)
Retained earnings - beginning	--	14,576	14,576
Retained earnings - ending	\$(208,764)	\$ 4,057	\$(204,707)

See accompanying notes to financial statements.

WALKER COUNTY
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Proprietary Fund Type		Totals (Memorandum Only)
	Enterprise	Internal Service	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating loss	\$(273,029)	\$(10,519)	\$(283,548)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Closure and post closure care costs	(1,489)	--	(1,489)
Depreciation	72,391	--	72,391
Bad debt provision	20,000	--	20,000
(Increase) decrease in accounts receivable	115,139	--	115,139
(Increase) decrease in due from other funds	--	(3,183)	(3,183)
Increase (decrease) in accounts payable	<u>871,610</u>	<u>1,661</u>	<u>873,271</u>
Net cash provided by (used in) operating activities	<u>804,622</u>	<u>(12,041)</u>	<u>792,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds on capital leases	1,090,208	--	1,090,208
Acquisition of capital assets	<u>(804,604)</u>	<u>--</u>	<u>(804,604)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>285,604</u>	<u>--</u>	<u>285,604</u>
NET CASH INCREASE (DECREASE)	1,090,226	(12,041)	1,078,185
Cash and cash equivalents at beginning of year	<u>400</u>	<u>19,756</u>	<u>20,156</u>
Cash and cash equivalents at ending of year	<u>\$ 1,090,626</u>	<u>\$ 7,715</u>	<u>\$ 1,098,341</u>

See accompanying notes to financial statements.

WALKER COUNTY
 COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
 PENSION TRUST FUND
 For the Fiscal Year Ended September 30, 2001

ADDITIONS	
Contributions	
Employer	\$ <u>543,506</u>
Total contributions	<u>543,506</u>
Investment income	
Interest	<u>118,044</u>
Net investment income	<u>118,044</u>
Total additions	<u>661,550</u>
DEDUCTIONS	
Contractual services	39,007
Pension benefits	<u>164,105</u>
Total deductions	<u>203,112</u>
NET INCREASE	458,438
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>2,867,526</u>
End of year	<u>\$ 3,325,964</u>

See accompanying notes to financial statements.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS

September 30, 2001

The accounting methods and procedures adopted by Walker County, Georgia, conform to generally accepted accounting principles (GAAP) as applied to governmental entities. The County's reporting entity applies all Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following notes to the financial statements are an integral part of Walker County's General Purpose Financial Statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial 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.

Component unit. 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.

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.

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

Walker County Water and Sewerage Authority 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. This is a change in accounting principle from prior years as the Authority has previously been included as a discretely presented component unit.

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, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Walker County Department of Family and Children's 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.

Accounting Policies

Basis of presentation - Fund accounting. The accounts of Walker County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The County has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into the following fund types and account groups as described below:

Fund Types

Governmental Fund types: These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

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.

Special Revenue Fund: These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Capital Projects Funds: These funds are established to account for major capital expenditures financed by special purpose local option sales tax revenues.

Proprietary Fund Types: These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Fund and Internal Service Fund.

Enterprise Funds: These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund: This fund may be used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fiduciary Fund Types: These funds account for assets held by the County as a trustee or agent for individuals, private organizations, and other units of governments. These funds are as follows:

Trust and Agency Funds: . These funds are used to account for funds that are held in escrow for other parties.

Account Groups

General Fixed Assets Account Group: This account group is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Proprietary Funds.

General Long-Term Debt Account Group: This account group is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

Accounting Period

All funds of Walker County, Georgia, are on fiscal year basis with the year ending September 30, 2001, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2001.

Basis of Accounting and Measurement Focus

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.

Governmental funds types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when they are measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The County considers revenues to be available if they are expected to be collected within 60 days of the year end. Generally tax revenues (including taxpayer-assessed taxes), fees and nontax revenues are recognized when received. Grants, entitlements, and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Property tax revenues are recognized when they are levied, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary fund types and the Pension Trust Fund are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred (flow of economic resources measurement focus). Employer contributions to the pension plans are recognized when due and the County has made a formal commitment to provide the contributions.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 a budget for all governmental funds. For each of the funds for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. 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 budgeted financial statements represented in this report reflect the final budget authorization, including all amendments. 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 voters approved the Special Purpose Local Option Sales Tax (SPLOST) referendum. This budget is prepared for the projected total SPLOST tax revenues and capital outlays.

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 often employed for budgetary control purposes in general and special revenue funds. However, the County does not use encumbrance accounting.

Cash

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in certificates of deposits with various maturities or transferred to interest-bearing savings accounts. Deposits in excess of federally insured amounts are required to be collateralized by securities of the depository bank.

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

Investments

Investments of the County are reported at fair value.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Interest Receivable

Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Property, Plant, and Equipment

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, i.e., roads, curbs and gutters, sidewalks, drainage systems, lighting systems, and bridges are not capitalized. Beginning in 1984, property, plant, and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the government fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. Prior to 1984, assets purchased were recorded as expenditures in the governmental funds and the assets were not capitalized. Therefore, the general fixed asset account group includes only assets purchased after December 31, 1983. The effect of this departure on financial position is not reasonably determinable. Donated assets are reported at their estimated fair value on the date of acquisition.

In the proprietary fund, property and equipment are stated at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

Depreciation is provided on all assets in the proprietary fund on the straight-line method. Estimated useful lives are as follows:

Site improvements	20 years
Buildings	40 years
Equipment	5 to 15 years
Vehicles	5 years

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

Advances

Advances to and advances from governmental funds represent noncurrent portions of interfund receivables and payables. The governmental fund making the advance establishes a fund balance reserve equal to the amount of the advance.

Other Assets

Other assets held are recorded and accounted for at cost.

Long-term Debt

Long-term obligations of the County are reported in the General Long-term Debt Account Group. Long-term liabilities for certain general obligation bonds, revenue bonds, capital leases, and mortgage bonds are reported in the appropriate Enterprise Fund. For governmental fund types, bond premiums and discounts, as well as issuance cost, are recognized during the current period.

Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Revenues and Expenditures/Expenses

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues

Property taxes are levied on October 20 based on the assessed value of property as listed on the previous January 1. Assessed values are an approximation of market value. A valuation of all real property must be made every seven years. The last valuation date was January 1, 1998. 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.

Vacation, Sick Leave, and Other Compensated Absences

The County allows employees sick leave up to a maximum of ten days per year and funeral leave for immediate family members up to three days per year. These absences cannot be carried over by the employee and can only be used for their designated purpose. Thus, no liability is required for sick leave or funeral leave. Earned vacation time is required to be used by the end of each calendar year with no carryover to the next year for all County departments with the

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

exception of the Sheriff's department, Fire and Rescue, and the District Attorney's office. Employees of the Sheriff's department, Fire and Rescue, and the District Attorney's office are entitled to receive accrued compensatory time at termination. The estimated current portion of the liability for vested vacation benefits attributable to the County's governmental funds is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the General Long-term Debt Account Group. The amounts attributable to proprietary funds and similar component units are charged to expense and a corresponding liability in the applicable fund or component unit.

Memorandum Only - Total Columns

The combined financial statements include total columns that are described as memorandum only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

NOTE B - SPECIAL PURPOSE LOCAL OPTION SALES TAX

In March 1998, Walker County voters passed a referendum on the question of "yes/no" shall a special one percent sales and use tax be imposed in Walker County for a period of time not to exceed twenty calendar quarters or until there is collected net proceeds of \$25,000,000 for various capital outlay purpose." Actual collection of the tax began October 1998. The County's share of this amount is projected to be \$18,750,000 or 75%. The County is using the proceeds for Water and Sewer, Landfill, Recreation, Courthouse Renovation and various other capital purposes.

NOTE C - CASH

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the County or by its agent in the County's name.

NOTE D - PROPERTY TAXES

Walker County is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. The following dates were applicable to property taxes for 2001:

Lien date	January 1, 2001
Levy date	November 15, 2001
Due date	January 15, 2002

All property taxes are recognized in compliance with National Council on Governmental Accounting Interpretation No. 3 (Revenue Recognition - Property Taxes), which states that such revenue should be recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Property taxes receivable as September 30, 2001, within the Tax Commissioner Agency Fund are composed of the following:

<u>Year of Levy</u>	
2001	\$2,308,746
2001	83,848
1999	48,136
1998	41,388
1997	26,350
1996	13,742
Before 1996	<u>50,349</u>
Total property taxes receivable	2,572,559
Less allowance for uncollectibles	<u>272,164</u>
	<u>\$2,300,395</u>

NOTE E - CASH AND INVESTMENTS

Primary Government

At year-end, the book balance of the County's deposits was \$6,240,695 and the bank balance was \$6,746,132. Of the bank balance, \$593,545 was covered by federal depository insurance and \$6,152,187 by collateral held by the County's agent in the County's name. The balance was covered by collateral held in the pledging financial institution's trust department in a pooled collateral account specifically pledged to the County. This represents a category 2 level of risk.

Component Unit

Walker County Health Department. The Health Department's cash and cash equivalents are considered to be demand deposits.

At June 30, 2001, cash consisted of the following:

Cash in the bank	\$ 961,307
Cash in-transit	353
Petty cash and change fund	<u>400</u>
	<u>\$ 962,060</u>

Cash in-transit represents funds disbursed by another health department within Walker County's district as of June 30, 2001, that have not been received by Walker County as of year end. Accordingly, these amounts have been reclassified from an accounts receivable account to an in-transit account in order to produce more comparable financial statements between counties of the same district.

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

NOTE F - DUE TO/FROM OTHER FUNDS

As of September 30, 2001, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
GENERAL FUND	\$ 559,364	\$ 428,113
AGENCY FUND:		
Tax Commissioner	--	388,133
Clerk of Courts	--	126,551
Probate Judge	--	3,379
Magistrate Court	--	8,970
SPECIAL REVENUE:		
Fire protection	118,654	--
E911	--	30,634
CAPITAL PROJECTS:		
Bond projects	424,930	--
SPLOST Project	--	--
INTERNAL SERVICE:		
Employee benefit	3,183	--
ENTERPRISE:		
Landfill	--	<u>120,351</u>
TOTAL	<u>\$1,106,131</u>	<u>\$1,106,131</u>

NOTE G - FIXED ASSETS

Activity in the general fixed assets account group for the fiscal year ended September 30, 2001, was as follows.

Summary of Changes in the General Fixed Asset Account Group
 During the Fiscal Year

Primary Government

	Balance October 1, 2000	Additions	Deletions	Balance September 30, 2001
Land	\$ 590,401	\$ --	\$ --	\$ 590,401
Land improvement	180,025	--	--	180,025
Building	9,767,944	3,821,358	--	13,589,302
Building improvements	966,235	--	--	966,235
Recreation facilities	--	480,523	--	480,523
Infrastructure	468,239	--	468,239	--
Equipment and vehicles	11,851,578	1,277,782	--	13,129,360
Furniture and fixtures	311,931	93,611	--	405,542
Construction in progress:				
Bond projects	7,620,215	3,858,625	8,847,578	2,631,262
SPLOST projects	<u>3,192,924</u>	<u>863,789</u>	<u>2,323,330</u>	<u>1,733,383</u>
	<u>\$34,949,492</u>	<u>\$10,395,688</u>	<u>\$11,639,147</u>	<u>\$33,706,033</u>

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

<u>Component Unit</u>	Balance July 1, 2000	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2001
Office equipment	\$ 53,842	\$ 33,486	\$ 23,710	\$ 63,618
Land improvement	<u>174,496</u>	<u>--</u>	<u>27,643</u>	<u>146,853</u>
	<u>\$ 228,338</u>	<u>\$ 33,486</u>	<u>\$ 51,353</u>	<u>\$ 210,471</u>

Schedule of General Fixed Assets by Source
 September 30, 2001

	Balance October 1, 2000	<u>Additions</u>	<u>Deletions</u>	Balance September 30, 2001
General fund	\$17,863,951	\$ 507,116	\$ --	\$18,371,067
Special revenue funds	--	190,036	--	190,036
SPLOST	3,192,924	839,925	1,500,268	2,532,581
Capital leases	6,272,402	683,026	--	6,955,428
Bonds	<u>7,620,215</u>	<u>3,879,303</u>	<u>5,842,597</u>	<u>5,656,921</u>
Total general fixed assets	<u>\$34,949,492</u>	<u>\$ 6,099,406</u>	<u>\$ 7,342,865</u>	<u>\$33,706,033</u>

Fixed Assets - Proprietary Fund
 September 30, 2001

Property, plant and equipment of the Landfill Enterprise Fund consists of the following:

Land and buildings	\$ 300,653
Machinery and equipment	344,954
Property held under capital leases	765,270
Construction in progress	<u>3,213,320</u>
	4,624,197
Less: Accumulated depreciation	<u>210,099</u>
Total	<u>\$4,414,098</u>

The County's financial statements are qualified due to the lack of a system to correctly record the receipt and deletion of fixed assets. The County has not maintained an auditable fixed asset schedule since 1984.

Accounting Standards Board (FASB) Statement No. 34 (Capitalization of Interest Cost) requires that interest expenditures incurred during construction of assets be capitalized. FAS-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. During 2001, no interest costs were capitalized.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE H - PENSION PLAN

Plan Description. Two hundred and twenty-five (225) of the County's full time employees are covered by the Pension Plan for Employees of the Walker County Commissioner and Sheriff's Department. This self-administered plan is a single employer, noncontributory, defined benefit plan established January 1, 1973, restated effective January 1, 1984 and amended effective December 31, 2000. Authority to establish, amend or discontinue the plan is assigned to Walker County. The plan is included in this report because the County has oversight responsibility as prescribed by the Governmental Accounting Standards Board. The plan does not issue separate financial statements but includes the financial statements and required supplementary information in the County's annual financial report. The plan provides retirement, disability and death benefits to all employees, and their beneficiaries, that have been employed full time for one year. Employees begin vesting after 3 years of service and are fully vested after 7 years. Members may retire at age 65 with 12 years of service or at age 60 with 20 years of service. Benefits are calculated at 1.10% of five years average earnings multiplied by credited service plus 0.65% of average compensation in excess of \$10,000 multiplied by service up to 35 years.

Funding Policy and Pension Cost. Contribution requirements are actuarially determined and may be amended by the County. 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 2001 has decreased as a percentage of covered payroll from 8.48% in 2000 to 8.39% in 2001. 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.

The contributions to the plan during the year ended December 31, 2000, was \$543,506 and was made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2001. The County's current year covered payroll and its total current year payroll for all employees amount to \$4,794,350 based upon the actuarial valuation of January 1, 2001.

Summary of Significant Accounting Policies. The plan's financial statements are prepared on the accrual basis of accounting. Contributions from the County are recognized as revenue in the period in which the employees provide services to the County. 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 universal life policies and are valued at fair value. There are no investments in, loans to, or leases with parties related to the pension plan.

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

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three-Year Trend Information

Fiscal Year Ending	Employer Annual Pension Cost (APC)	Annual Contribution	Percentage of APC Contributed	Net (EOY) Pension Obligation
December 31, 1998	\$ 440,693	\$ 532,518	120.8%	\$ --
December 31, 1999	448,758	469,203	104.6	--
December 31, 2000	522,290	560,921	107.4	--

Schedule of Funding Progress

Actuarial Valuation for Plan Year Beginning January 1,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability Frozen Entry Age Cost Method	(3) Unfunded Actuarial Accrued Liability (2) - (1)	(4) Funded Ratio (1)/(2)	(5) Covered Payroll	(6) Unfunded Actuarial Accrued Liability as % of Covered Payroll (3)/(5)
1999	\$2,309,409	\$2,902,921	\$ 593,512	79.6%	\$5,042,778	11.8%
2000	2,867,526	3,553,479	685,953	80.7	5,028,457	13.6
2001	3,325,964	3,975,028	649,064	83.7	4,794,350	13.5

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

The significant actuarial assumptions used in the current valuation are:

Rate of return on investment	7.0%
Projected salary and inflation increases	5.0%
Actuarial methods:	
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Asset valuation method	Market value
Valuation cost method	Frozen entry age with normal cost expressed as a percentage of covered payroll.

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

Plan Membership Data. As of January 1, 2001, the current plan membership includes the following categories of participants.

Plan Participants:

Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	27
Active participants	193
Disabled participants	<u>3</u>
 Total	 <u>225</u>

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

NOTE I - LONG-TERM DEBT

The following is a summary of the County's long-term debt transactions for the year ended September 30, 2001.

	Balance October 1, 2000	Additions	Reductions	Balance September 30, 2001
Capitalized leases:				
Governmental	\$ 4,941,731	\$ 1,161,077	\$ 451,195	\$ 5,651,613
Proprietary-Landfill	--	1,090,208	--	1,090,208
Total capitalized leases	<u>\$ 4,941,731</u>	<u>\$ 2,251,285</u>	<u>\$ 451,195</u>	<u>\$ 6,741,821</u>
Bond payable:				
Governmental	\$ <u>5,810,000</u>	\$ --	\$ <u>1,700,000</u>	\$ <u>4,110,000</u>
Estimated landfill closure and postclosure cost	\$ <u>2,486,298</u>	\$ <u>480,576</u>	\$ --	\$ <u>2,966,874</u>

Debt outstanding as of September 30, 2001, is composed of the following:

	Interest Rate	Date of Issue	Date of Last Payment	Amount Issued	Amount Outstanding
Capital leases					
Sheriff-vehicles	5.65%	03/16/00	03/16/02	\$ 245,000	\$ 81,751
Commissioner-DFACS building	5.50%	12/01/95	09/01/11	3,562,705	2,914,008
Fire-fire trucks	5.25%	11/19/96	01/01/07	2,199,943	1,450,039
Road department-grader	5.70%	09/30/97	08/30/04	96,581	44,738
Road department - equipment	4.31%	04/20/01	04/01/06	738,926	738,926
E911-equipment	4.06%	08/24/01	08/01/04	422,151	422,151
Landfill equipment	4.07%	09/27/01	10/15/06	1,090,208	1,090,208
Total leases					<u>\$6,741,821</u>
General obligation bonds					
1999 bonds	4.10-4.30%	01/01/99	08/01/03	4,900,000	\$4,110,000
Total bonds					<u>\$4,110,000</u>

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

The future minimum lease obligations as of September 30, 2001, were as follows:

Year Ending September 30,	To General Long-term Debt						Proprietary Debt	Total
	Vehicles	Fire Trucks	Building	Grader	Road Department Equipment	911 Equipment	Landfill Equipment	
2002	\$ 86,370	\$ 287,271	\$ 337,235	\$ 16,686	\$ 168,595	\$ 152,472	\$ 245,773	\$1,294,402
2003	--	287,271	347,562	16,686	168,595	152,472	245,773	1,218,359
2004	--	287,271	358,199	15,296	168,595	151,256	245,773	1,226,390
2005	--	287,271	369,154	--	168,595	--	245,773	1,070,793
2006	--	287,271	380,439	--	161,839	--	248,402	1,077,951
Thereafter	--	<u>287,219</u>	<u>2,046,092</u>	--	--	--	--	<u>2,333,311</u>
Total minimum lease	86,370	1,723,574	3,838,681	48,668	836,219	456,200	1,231,494	8,221,206
Less: Interest	<u>4,619</u>	<u>273,535</u>	<u>924,673</u>	<u>3,930</u>	<u>97,293</u>	<u>34,049</u>	<u>141,286</u>	<u>1,479,385</u>
Present value of minimum lease payments	<u>\$ 81,751</u>	<u>\$1,450,039</u>	<u>\$2,914,008</u>	<u>\$ 44,738</u>	<u>\$ 738,926</u>	<u>\$ 422,151</u>	<u>\$1,090,208</u>	<u>\$6,741,821</u>

The annual requirements to amortize all bonded indebtedness outstanding as of September 30, 2001, including interest payable of \$266,025, are as follows:

September 30	General Obligation Bonds		Total
	Principal 1999 Bonds	Interest Combined	
2002	\$2,010,000	\$ 175,725	\$2,185,725
2003	2,100,000	90,300	2,190,300

NOTE K - CONTRIBUTED CAPITAL

During the fiscal year 2001, changes in contributed capital were as follows:

	ENTERPRISE FUND LANDFILL
Liabilities transferred from GLTDAG	\$(2,853,066)
Residual equity transfer from general fund	67,085
Fixed assets transferred from general fixed asset account group	421,389
Fixed assets purchased by SPLOST	1,081,258
Prior year construction in progress	2,179,238
Depreciation on fixed assets	(64,263)
Total additions (deductions)	831,641
Contributed capital - beginning	--
Contributed capital - ending	<u>\$ 831,641</u>

NOTE L - DEFICIT FUND BALANCE

The enterprise fund has a deficit balance of \$208,764 at September 30, 2001. User fees collected in future years from the landfill will be used to liquidate the deficit.

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

NOTE M - FUND EQUITY - FUND BALANCES

Reserves are used to indicate that a portion of the fund balance or retained earnings is not appropriable for expenditure or is legally segregated for a specific future use. The following reserves are used by the County and its component unit.

Primary Government

Capital Projects

Reserve for completion of projects. Restricted for projects financed by general obligation bond proceeds and special purpose local option sales tax projects.

Trust and Agency Funds

Reserve for employee's pension benefits. Restricted for payment of retirement benefits.

	Reserved Portion All Funds	
	<u>Capital</u>	<u>Pension Trust</u>
Balance, September 30, 2000	\$ 6,160,691	\$ 2,867,526
Increase (decrease)	<u>(3,489,162)</u>	<u>458,438</u>
Balance, September 30, 2001	<u>\$ 2,671,529</u>	<u>\$ 3,325,964</u>

NOTE N - 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 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 O - CLAIMS AND JUDGMENTS

The County participates in a number of federal, state, and county programs that are full or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor

WALKER COUNTY, GEORGIA
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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, 2001, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the County.

NOTE P - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations in the following funds and departments.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects Fund</u>
General government	\$ 90,385	\$ --	\$ 12,677
Judicial			
General fund	120,304	--	--
Law library fund	--	54,781	--
Public safety			
General fund	29,784	--	--
Court Supervision Fund	--	2,317	--
Health and welfare	54,393	--	--
Capital expenditures	167,603	--	--
Sheriff	298,961	--	--
Housing and development	33,235	--	--
Public works	181,427	--	--
Debt service interest	166	--	--

The fund balance in the Walker County General Fund was \$3,225,815 for the year ended September 30, 2001. Revenues decreased \$860,663 from the previous year and expenditures decreased \$335,984 from the previous year.

NOTE Q - RESTATEMENTS

After the close of the previous fiscal year, September 30, 2000, prior year grant revenues in the general fund were discovered.

Accordingly, the effects of the above mentioned error is as follows:

	<u>General Fund</u>
Beginning fund balance as previously reported	\$4,000,088
Grant revenue not reported prior year	<u>208,377</u>
Beginning fund balance restated	<u>\$4,208,465</u>

Effective October 1, 2000, the County implemented the state mandated uniform chart of accounts. Prior to this conversion, the landfill was included in the general fund. As part of the conversion, the County was required to begin reporting activities of the landfill in a proprietary fund. This change resulted in a residual equity transfer in the affected funds.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
(Continued)

NOTE R - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Walker County owns and operates a landfill site located east of LaFayette. The landfill has been operated from the present site since 1973. State and federal laws and regulations require the County to close the landfill once its capacity is reached and to monitor and maintain the site for thirty subsequent years. As of June 1998, the County ceased to accept solid waste at their landfill. 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 cost 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. Since the landfill has been closed, no additional capacity will be used. Management estimates that the County will incur costs of approximately \$2,966,874, per engineering reports, in cost of closure and postclosure costs to complete the closure of its solid waste landfill and to monitor and maintain 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, and possibly higher due to inflation, changes in technology, or changes in landfill laws and regulations. These costs will be met with future County revenues. The landfill capacity used to date for the solid waste landfill is at 100%.

NOTE S - 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.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the specific revenues that are legally restricted to expenditures for particular purposes.

Court Supervision - This fund is used to account for "add-on" fees collected on fines. The fund is restricted to supervision costs associated with juvenile offenders.

Emergency 911 - This fund is used to account for the fees collected by the telephone company on behalf of the county that are specifically restricted to providing fire and rescue services.

Fire and Rescue - 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.

Law Library - This fund is used to account for "add-on" fees collected on fines by various departments. The fund is restricted to the maintenance and upkeep of the County Law Library.

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 ALL SPECIAL REVENUE FUNDS
 September 30, 2001

	<u>Court Supervision</u>	<u>Emergency 911</u>	<u>Fire and Rescue</u>	<u>Law Library</u>	<u>Total</u>
ASSETS					
Cash	\$ 18,022	\$ 301,974	\$ 10,000	\$ 6,273	\$ 336,269
Due from other funds	--	--	118,654	--	118,654
Accounts receivable	--	29,679	--	--	29,679
TOTAL ASSETS	<u>\$ 18,022</u>	<u>\$ 331,653</u>	<u>\$ 128,654</u>	<u>\$ 6,273</u>	<u>\$ 484,602</u>
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Due to general fund	\$ --	\$ 30,634	\$ --	\$ --	\$ 30,634
Deferred revenue	--	301,019	--	--	301,019
TOTAL LIABILITIES	<u>--</u>	<u>331,653</u>	<u>--</u>	<u>--</u>	<u>331,653</u>
FUND BALANCE					
Unreserved, undesignated	18,022	--	128,654	6,273	152,949
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 18,022</u>	<u>\$ 331,653</u>	<u>\$ 128,654</u>	<u>\$ 6,273</u>	<u>\$ 484,602</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2001

	<u>Court Supervision</u>	<u>Emergency 911</u>	<u>Fire and Rescue</u>	<u>Law Library</u>	<u>Total</u>
REVENUES					
Fines and forfeitures	\$ 7,455	\$ --	\$ --	\$ 37,343	\$ 44,798
Charges for services	--	493,799	869,486	--	1,363,285
Interest	380	--	1,373	268	2,021
Miscellaneous	--	--	316	--	316
	<u>7,835</u>	<u>493,799</u>	<u>871,175</u>	<u>37,611</u>	<u>1,410,420</u>
EXPENDITURES					
Judicial	--	--	--	54,781	54,781
Public safety					
Personal services	--	517,030	109,290	--	626,320
Communications	--	64,591	21,771	--	86,362
Supplies	--	6,900	28,088	--	34,988
Maintenance and repairs	--	75,767	59,750	--	135,517
Utilities	--	11,989	61,650	--	73,639
Other	2,317	15,292	145,302	--	162,911
Capital outlays	--	168,816	22,204	--	191,020
Debt service					
Principal	--	--	201,680	--	201,680
Interest	--	--	85,591	--	85,591
	<u>2,317</u>	<u>860,385</u>	<u>735,326</u>	<u>54,781</u>	<u>1,652,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,518</u>	<u>(366,586)</u>	<u>135,849</u>	<u>(17,170)</u>	<u>(242,389)</u>
OTHER FINANCING SOURCES					
Operating transfer in	--	246,409	--	--	246,409
Operating transfer out	--	--	(37,335)	--	(37,335)
Proceeds from capital leases	--	120,177	--	--	120,177
	<u>--</u>	<u>366,586</u>	<u>(37,335)</u>	<u>--</u>	<u>329,251</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,518	--	98,514	(17,170)	86,862
Fund balance - October 1	<u>12,504</u>	<u>--</u>	<u>30,140</u>	<u>23,443</u>	<u>66,087</u>
Fund balance - September 30	<u>\$ 18,022</u>	<u>\$ --</u>	<u>\$ 128,654</u>	<u>\$ 6,273</u>	<u>\$ 152,949</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2001

	Court Supervision	
	Budget	Actual
REVENUES		
Fines and forfeitures	\$ --	\$ 7,455
Charges for services	--	--
Interest	--	380
	--	380
TOTAL REVENUES	--	7,835
EXPENDITURES		
Public safety		
Personal services	--	--
Communications	--	--
Supplies	--	--
Maintenance and repairs	--	--
Utilities	--	--
Other	--	2,317
Capital outlays	--	--
	--	2,317
TOTAL EXPENDITURES	--	2,317
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	--	5,518
OTHER FINANCING SOURCES		
Operating transfer in	--	--
Operating transfer out	--	--
	--	--
TOTAL OTHER FINANCING SOURCES	--	--
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ --	5,518
Fund balance - October 1		12,504
Fund balance - September 30		\$ 18,022

Emergency 911			
Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 7,455	\$ --	\$ --	\$ --
--	475,000	493,799	18,799
<u>380</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>7,835</u>	<u>475,000</u>	<u>493,799</u>	<u>18,799</u>
--	510,000	517,030	(7,030)
--	57,400	64,591	(7,191)
--	7,100	6,900	200
--	78,400	75,767	2,633
--	10,000	11,989	(1,989)
(2,317)	13,000	15,292	(2,292)
<u>--</u>	<u>477,671</u>	<u>168,816</u>	<u>308,855</u>
<u>(2,317)</u>	<u>1,153,571</u>	<u>860,385</u>	<u>293,186</u>
<u>5,518</u>	<u>(678,571)</u>	<u>(366,586)</u>	<u>311,985</u>
--	256,420	246,409	(10,011)
<u>--</u>	<u>422,151</u>	<u>120,177</u>	<u>(301,974)</u>
<u>--</u>	<u>678,571</u>	<u>366,586</u>	<u>(311,985)</u>
<u>\$ 5,518</u>	<u>\$ --</u>	<u>--</u>	<u>\$ --</u>
		<u>--</u>	
		<u>\$ --</u>	

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2001

	Fire and Rescue	
	Budget	Actual
REVENUES		
Fines and forfeitures	\$ --	\$ --
Charges for services	710,000	869,486
Interest	--	1,373
Miscellaneous	--	316
	710,000	871,175
TOTAL REVENUES		
EXPENDITURES		
Judicial	--	--
Public safety		
Personal services	127,600	109,290
Communications	21,000	21,771
Supplies	30,400	28,088
Maintenance and repairs	54,350	59,750
Utilities	67,100	61,650
Other	143,900	145,302
Capital outlays	18,800	22,204
Debt service		
Principal	201,680	201,680
Interest	85,591	85,591
	750,421	735,326
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(40,421)	135,849
OTHER FINANCING SOURCES		
Operating transfer out	--	(37,335)
	--	(37,335)
TOTAL OTHER FINANCING SOURCES		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$(40,421)	98,514
Fund balance - October 1		30,140
Fund balance - September 30		\$ 128,654

Law Library			
Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ --	\$ --	\$ 37,343	\$ 37,343
159,486	--	--	--
1,373	--	268	268
<u>316</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>161,175</u>	<u>--</u>	<u>37,611</u>	<u>37,611</u>
--	--	54,781	(54,781)
18,310	--	--	--
(771)	--	--	--
2,312	--	--	--
(5,400)	--	--	--
5,450	--	--	--
(1,402)	--	--	--
(3,404)	--	--	--
--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>15,095</u>	<u>--</u>	<u>54,781</u>	<u>(54,781)</u>
176,270	--	(17,170)	(17,170)
(37,335)	--	--	--
<u>(37,335)</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>138,935</u>	\$ <u>--</u>	(17,170)	\$ <u>17,170</u>
		<u>23,443</u>	
		\$ <u>6,273</u>	

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended September 30, 2001

	Total		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Fines and forfeitures	\$ --	\$ 44,798	\$ 44,798
Charges for services	1,185,000	1,363,285	178,285
Interest	--	2,021	2,021
Miscellaneous	--	316	316
TOTAL REVENUES	<u>1,185,000</u>	<u>1,410,420</u>	<u>225,420</u>
EXPENDITURES			
Jucidial	--	54,781	(54,781)
Public safety			
Personal services	637,600	626,320	11,280
Communications	78,400	86,362	(7,962)
Supplies	37,500	34,988	2,512
Maintenance and repairs	132,750	135,517	(2,767)
Utilities	77,100	73,639	3,461
Other	156,900	162,911	(6,011)
Capital outlays	496,471	191,020	305,451
Debt service			
Principal	201,680	201,680	--
Interest	85,591	85,591	--
TOTAL EXPENDITURES	<u>1,903,992</u>	<u>1,652,809</u>	<u>251,183</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(718,992)</u>	<u>(242,389)</u>	<u>476,603</u>
OTHER FINANCING SOURCES			
Operating transfer in	256,420	246,409	(10,011)
Operating transfer out	--	(37,335)	(37,335)
Proceeds from capital leases	422,151	120,177	(301,974)
TOTAL OPERATING SOURCES (USES)	<u>698,571</u>	<u>329,251</u>	<u>(349,320)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>\$ (40,421)</u>	86,862	<u>\$ 127,283</u>
Fund balance - October 1		<u>66,087</u>	
Fund balance - September 30		<u>\$ 152,949</u>	

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

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

SPLOST Construction Fund - This fund is used to account for the construction of numerous county projects. The 1993 SPLOST revenues are used to finance these projects.

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 ALL CAPITAL PROJECTS FUNDS
 September 30, 2001

	<u>Bond Construction</u>	<u>SPLOST Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$1,406,147	\$ --	\$1,406,147
Restricted cash	342,075	--	342,075
Due from other funds	424,930	--	424,930
Due from other governments	<u>498,377</u>	<u>--</u>	<u>498,377</u>
 TOTAL ASSETS	 <u>\$2,671,529</u>	 <u>\$ --</u>	 <u>\$2,671,529</u>
LIABILITIES AND FUND BALANCE			
FUND BALANCE			
Reserved for completion of projects	\$2,671,529	\$ --	\$2,671,529
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$2,671,529</u>	 <u>\$ --</u>	 <u>\$2,671,529</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 ALL CAPITAL PROJECTS FUNDS
 For the Fiscal Year Ended September 30, 2001

	<u>Bond Construction</u>	<u>SPLOST Construction</u>	<u>Total</u>
REVENUES			
SPLOST tax revenue	\$ 3,406,948	\$ --	\$ 3,406,948
Interest earned	76,900	19,045	95,945
Intergovernmental revenue	<u>300,000</u>	<u>--</u>	<u>300,000</u>
TOTAL REVENUE	<u>3,783,848</u>	<u>19,045</u>	<u>3,802,893</u>
EXPENDITURES			
Capital outlays	4,494,544	839,924	5,334,468
Debt service			
Principal	1,700,000	--	1,700,000
Interest	244,910	--	244,910
Other	<u>7,645</u>	<u>5,032</u>	<u>12,677</u>
TOTAL EXPENDITURES	<u>6,447,099</u>	<u>844,956</u>	<u>7,292,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,663,251)	(825,911)	(3,489,162)
Fund balance - October 1	<u>5,334,780</u>	<u>825,911</u>	<u>6,160,691</u>
Fund balance - September 30	<u>\$ 2,671,529</u>	<u>\$ --</u>	<u>\$ 2,671,529</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 ALL CAPITAL PROJECTS FUNDS
 For the Fiscal Year Ended September 30, 2001

	Bond Construction		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
SPLOST tax revenue	\$ 18,750,000	\$ 3,406,948	\$(15,343,052)
Interest income	--	76,900	76,900
Intergovernmental revenue	--	300,000	300,000
TOTAL REVENUE	18,750,000	3,783,848	(14,966,152)
EXPENDITURES			
Capital outlays	18,750,000	4,494,544	14,255,456
Debt service			
Principal	--	1,700,000	(1,700,000)
Interest	--	244,910	(244,910)
Other	--	7,645	(7,645)
TOTAL EXPENDITURES	18,750,000	6,447,099	12,302,901
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ --	(2,663,251)	\$(2,663,251)
Fund balance - October 1		5,334,780	
Fund balance - September 30		\$ 2,671,529	

SPLOST Construction			Totals		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 9,000,000	\$ --	\$ (9,000,000)	\$27,750,000	\$ 3,406,948	\$ (24,343,052)
--	19,045	19,045	--	95,945	95,945
--	--	--	--	300,000	300,000
<u>9,000,000</u>	<u>19,045</u>	<u>(8,980,955)</u>	<u>27,750,000</u>	<u>3,802,893</u>	<u>(23,947,107)</u>
9,000,000	839,924	8,160,076	27,750,000	5,334,468	22,415,532
--	--	--	--	1,700,000	(1,700,000)
--	--	--	--	244,910	(244,910)
--	5,032	(5,032)	--	12,677	(12,677)
<u>9,000,000</u>	<u>844,956</u>	<u>8,155,044</u>	<u>27,750,000</u>	<u>7,292,055</u>	<u>20,457,945</u>
\$ <u>--</u>	(825,911)	\$ <u>(825,911)</u>	\$ <u>--</u>	(3,489,162)	\$ <u>(3,489,162)</u>
	825,911			6,160,691	
	\$ <u>--</u>			\$ <u>2,671,529</u>	

INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods or services provided by one department to the other departments or agencies or to other governmental units on a cost reimbursement basis.

Health Insurance - This fund is used to account for contributions of the County's dental and disability insurance programs.

WALKER COUNTY, GEORGIA
BALANCE SHEET
INTERNAL SERVICE FUND
(DENTAL AND DISABILITY)
September 30, 2001

ASSETS	
Cash	\$ 7,715
Due from general fund	<u>3,183</u>
TOTAL ASSETS	<u>\$ 10,898</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 6,841
FUND EQUITY	
Retained earnings	<u>4,057</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,898</u>

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUND
(DENTAL AND DISABILITY)
For the Fiscal Year Ended September 30, 2001

REVENUES	
Charges for services	\$ 63,182
OPERATING EXPENSES	
Claims paid	<u>73,701</u>
NET INCOME (LOSS)	(10,519)
Retained earnings - beginning	<u>14,576</u>
Retained earnings - ending	<u>\$ 4,057</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
(DENTAL AND DISABILITY)

For the Fiscal Year Ended September 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$(10,519)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Increase in due from general fund	(3,183)
Increase in accounts payable	<u>1,661</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(12,041)</u>
NET INCREASE (DECREASE) IN CASH	<u>(12,041)</u>
Cash and cash equivalents - beginning of year	<u>19,756</u>
Cash and cash equivalents - end of year	<u>\$ 7,715</u>

ENTERPRISE FUND

To account for operations financed and operated similar to businesses. Services rendered to the general public on a fee basis.

Landfill - Prior to September 30, 2001, this activity was accounted for in the General Fund. Management efforts to conform to state and federal guidelines prompted its separation from the General Fund. Its revenues are derived from user fees.

WALKER COUNTY, GEORGIA
BALANCE SHEET
ENTERPRISE FUND
(LANDFILL)
September 30, 2001

ASSETS	
Cash	\$ 418
Accounts receivable, net	78,846
Property and equipment, net	4,414,098
Restricted cash	<u>1,090,208</u>
TOTAL ASSETS	<u>\$ 5,583,570</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	
Due to other fund	\$ 783,260
Capital lease payable	120,351
Closure and post closure care cost	1,090,208
	<u>2,966,874</u>
TOTAL LIABILITIES	<u>4,960,693</u>
FUND EQUITY	
Contributed capital	831,641
Retained earnings	<u>(208,764)</u>
TOTAL FUND EQUITY	<u>622,877</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 5,583,570</u>

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
(LANDFILL)

For the Fiscal Year Ended September 30, 2001

OPERATING REVENUES	
Landfill user fees	\$ <u>1,228,520</u>
OPERATING EXPENSES	
Personal services	188,448
Purchased/contracted services	1,185,669
Supplies	35,041
Depreciation	72,391
Bad debts	<u>20,000</u>
	<u>1,501,549</u>
NET LOSS	(273,029)
Depreciation on contributed assets	<u>64,264</u>
Net decrease in retained earnings	(208,764)
Retained earnings - beginning	<u> --</u>
Retained earnings - ending	<u>\$ (208,764)</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
(LANDFILL)

For the Fiscal Year Ended September 30, 2001

CASH FLOW FROMS OPERATING ACTIVITIES	
Operating loss	\$(273,029)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Closure and post closure care costs	(1,489)
Depreciation	72,391
Bad debt provision	20,000
(Increase) decrease in accounts receivable	115,139
Increase (decrease) in accounts payable	<u>871,610</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>804,622</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds on capital leases	1,090,208
Acquisition of capital assets	<u>(804,604)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>285,604</u>
NET INCREASE IN CASH	1,090,226
Cash and cash equivalents - beginning of year	<u>400</u>
Cash and cash equivalents - end of year	<u>\$1,090,626</u>

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for asset held by the government as an agent for individuals, private organizations, other governments and other funds.

AGENCY FUNDS

Tax Commissioner

Superior Court Clerk

Probate Judge

Magistrate Judge

Special Purpose Sales Tax

TRUST FUNDS

Employee Pension Trust Fund

WALKER COUNTY, GEORGIA
 COMBINING BALANCE SHEET
 ALL TRUST AND AGENCY FUNDS
 September 30, 2001

	AGENCY FUNDS	
	Tax Commissioner	Clerk of Courts
ASSETS		
Cash	\$ 563,462	\$ 704,442
Investments	--	--
Receivables (net of allowance for uncollectibles):		
Taxes	2,300,395	--
Accounts	1,338,385	--
Restricted cash	--	36,120
TOTAL ASSETS	\$4,202,242	\$ 740,562
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Due to other governments	\$3,814,109	\$ 87,211
Due to other funds	388,133	126,551
Due to heirs, litigants, and others	--	526,800
TOTAL LIABILITIES	4,202,242	740,562
FUND BALANCES		
Reserved for retirement benefits	--	--
TOTAL FUND BALANCES	--	--
TOTAL LIABILITIES AND FUND EQUITY	\$4,202,242	\$ 740,562

<u>Probate Judge</u>	<u>Magistrate Judge</u>	<u>Special Purpose Local Option Sales Tax</u>	<u>TRUST FUNDS Pension Trust Fund</u>	<u>Total</u>
\$ 32,098	\$ 24,555	\$1,533,832	\$ --	\$2,858,389
--	--	--	3,325,964	3,325,964
--	--	--	--	2,300,395
--	--	--	--	1,338,385
--	--	--	--	36,120
<u>\$ 32,098</u>	<u>\$ 24,555</u>	<u>\$1,533,832</u>	<u>\$3,325,964</u>	<u>\$9,859,253</u>
\$ --	\$ 15,585	\$1,533,832	\$ --	\$5,450,737
3,379	8,970	--	--	527,033
<u>28,719</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>555,519</u>
<u>32,098</u>	<u>24,555</u>	<u>1,533,832</u>	<u>--</u>	<u>6,533,289</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>3,325,964</u>	<u>3,325,964</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>3,325,964</u>	<u>3,325,964</u>
<u>\$ 32,098</u>	<u>\$ 24,555</u>	<u>\$1,533,832</u>	<u>\$3,325,964</u>	<u>\$9,859,253</u>

WALKER COUNTY, GEORGIA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Fiscal Year Ended September 30, 2001

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 3,026,238	\$23,955,445	\$24,123,294	\$ 2,858,389
Taxes receivable	1,846,802	4,632,930	4,179,337	2,300,395
Accounts receivable	--	2,092,676	754,291	1,338,385
Restricted cash	<u>--</u>	<u>36,120</u>	<u>--</u>	<u>36,120</u>
TOTAL ASSETS	<u>\$ 4,873,040</u>	<u>\$30,717,171</u>	<u>\$29,056,922</u>	<u>\$ 6,533,289</u>
LIABILITIES				
Due to other governments	\$ 4,374,531	\$23,413,074	\$22,336,868	\$ 5,450,737
Due to other funds	171,125	6,419,815	6,063,907	527,033
Due to heirs, litigants, and others	<u>327,384</u>	<u>884,282</u>	<u>656,147</u>	<u>555,519</u>
TOTAL LIABILITIES	<u>\$ 4,873,040</u>	<u>\$30,717,171</u>	<u>\$29,056,922</u>	<u>\$ 6,533,289</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COMMISSIONER
For the Fiscal Year Ended September 30, 2001

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 576,986	\$20,558,224	\$20,571,748	\$ 563,462
Taxes receivable	1,846,802	4,632,930	4,179,337	2,300,395
Accounts receivable	<u>--</u>	<u>2,092,676</u>	<u>754,291</u>	<u>1,338,385</u>
TOTAL ASSETS	<u>\$ 2,423,788</u>	<u>\$27,283,830</u>	<u>\$25,505,376</u>	<u>\$ 4,202,242</u>
LIABILITIES				
Due to other funds	\$ 58,930	\$ 4,953,787	\$ 4,624,584	\$ 388,133
Due to other governments	<u>2,364,858</u>	<u>22,330,043</u>	<u>20,880,792</u>	<u>3,814,109</u>
TOTAL LIABILITIES	<u>\$ 2,423,788</u>	<u>\$27,283,830</u>	<u>\$25,504,376</u>	<u>\$ 4,202,242</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CLERK OF COURTS
For the Fiscal Year Ended September 30, 2001

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 420,508	\$ 2,987,621	\$ 2,703,687	\$ 704,442
Restricted cash	--	36,120	--	36,120
TOTAL ASSETS	<u>\$ 420,508</u>	<u>\$ 3,023,741</u>	<u>\$ 2,703,687</u>	<u>\$ 740,562</u>
LIABILITIES				
Due to other governments	\$ --	\$ 896,180	\$ 808,969	\$ 87,211
Due to other funds	97,328	1,293,991	1,264,768	126,551
Due to heirs, litigants, and others	323,180	833,570	629,950	526,800
TOTAL LIABILITIES	<u>\$ 420,508</u>	<u>\$ 3,023,741</u>	<u>\$ 2,703,687</u>	<u>\$ 740,562</u>

WALKER COUNTY, GEORGIA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 PROBATE JUDGE
 For the Fiscal Year Ended September 30, 2001

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ <u>7,280</u>	\$ <u>87,703</u>	\$ <u>62,885</u>	\$ <u>32,098</u>
TOTAL ASSETS	\$ <u>7,280</u>	\$ <u>87,703</u>	\$ <u>62,885</u>	\$ <u>32,098</u>
LIABILITIES				
Due to other funds	\$ 3,076	\$ 36,991	\$ 36,688	\$ 3,379
Due to heirs, litigants, and others	<u>4,204</u>	<u>50,712</u>	<u>26,197</u>	<u>28,719</u>
TOTAL LIABILITIES	\$ <u>7,280</u>	\$ <u>87,703</u>	\$ <u>62,885</u>	\$ <u>32,098</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MAGISTRATE COURT
For the Fiscal Year Ended September 30, 2001

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ <u>27,657</u>	\$ <u>289,364</u>	\$ <u>292,466</u>	\$ <u>24,555</u>
TOTAL ASSETS	\$ <u>27,657</u>	\$ <u>289,364</u>	\$ <u>292,466</u>	\$ <u>24,555</u>
LIABILITIES				
Due to other funds	\$ 11,791	\$ 135,046	\$ 137,867	\$ 8,970
Due to other governments	<u>15,866</u>	<u>154,318</u>	<u>154,599</u>	<u>15,585</u>
TOTAL LIABILITIES	\$ <u>27,657</u>	\$ <u>289,364</u>	\$ <u>292,466</u>	\$ <u>24,555</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the Fiscal Year Ended September 30, 2001

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ <u>1,993,807</u>	\$ <u>32,533</u>	\$ <u>492,508</u>	\$ <u>1,533,832</u>
TOTAL ASSETS	\$ <u>1,903,807</u>	\$ <u>32,533</u>	\$ <u>492,508</u>	\$ <u>1,533,832</u>
LIABILITIES				
Due to other governments	\$ <u>1,993,807</u>	\$ <u>32,533</u>	\$ <u>492,508</u>	\$ <u>1,533,832</u>
TOTAL LIABILITIES	\$ <u>1,993,807</u>	\$ <u>32,533</u>	\$ <u>492,508</u>	\$ <u>1,533,832</u>

WALKER COUNTY, GEORGIA
STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUND
September 30, 2001

ASSETS

Investments

\$ 3,325,964

FUND BALANCE

Reserved for employee's pension benefits

\$ 3,325,964

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUND
For the Fiscal Year Ended September 30, 2001

ADDITIONS	
Contributions	
Employer	\$ <u>543,506</u>
Total contributions	<u>543,506</u>
Investment income	
Interest	<u>118,044</u>
Net investment income	<u>118,044</u>
Total additions	<u>661,550</u>
DEDUCTIONS	
Contractual services	39,007
Pension benefits	<u>164,105</u>
Total deductions	<u>203,112</u>
NET INCREASE	458,438
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>2,867,526</u>
End of year	<u>\$ 3,325,964</u>

SUPPLEMENTAL INFORMATION

WALKER COUNTY, GEORGIA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
September 30, 2001

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)
01/01/92	807,858	1,459,085	651,227	55.4%	2,538,794	25.7%
01/01/93	783,247	1,604,384	821,137	48.8%	2,925,571	28.1%
01/01/94	1,209,416	1,877,752	668,336	64.4%	3,586,867	18.6%
01/01/95	1,275,118	2,094,519	819,401	60.9%	3,642,240	22.5%
01/01/96	1,709,812	2,414,420	704,608	70.8%	4,160,648	16.9%
01/01/97	1,658,778	2,329,076	670,298	71.2%	4,483,955	14.9%
01/01/98	1,742,773	2,433,323	690,550	71.6%	4,647,077	14.9%
01/01/99	2,309,409	2,902,921	593,512	79.6%	5,042,778	11.8%
01/01/00	2,867,526	3,553,479	685,953	80.7%	5,028,457	13.6%
01/01/01	3,325,964	3,975,028	649,064	83.7%	4,794,350	13.5%

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
PUBLIC EMPLOYEES RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
September 30, 2001

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
01/01/92	\$ 141,673	\$ 137,130	96.8%
01/01/93	176,805	0	0.0
01/01/94	221,839	365,238	164.6
01/01/95	260,782	250,000	95.9
01/01/96	290,635	394,849	135.9
01/01/97	340,351	414,841	121.9
01/01/98	393,430	418,901	106.5
01/01/99	440,693	532,518	120.8
01/01/00	448,758	469,203	104.6
01/01/01	522,290	543,506	104.1

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	1/1/2001
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	5.0%
Projected rate of inflation	5.0%

COMPLIANCE

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

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

Commissioner
Walker County, Georgia
LaFayette, Georgia 30728

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 2001, and have issued our report thereon dated January 24, 2002, which was qualified because general fixed assets acquired prior to 1984 were not recorded in the General Fixed Assets Account Group. 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.

Compliance

As part of obtaining reasonable assurance about whether Walker County, Georgia's, general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 98-5, 00-1, 01-4, 01-5, and 01-6.

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 opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Walker County, Georgia's, ability to record, process, summarize and report financial data consistent with the assertions of

management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-2 through 01-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 01-1, 01-3, 01-4, 01-5 and 01-6 to be material weaknesses.

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

Burt, Pappas, Nelson, Higgins, PLLC

Chattanooga, Tennessee
January 24, 2002

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

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

Commissioner
Walker County, Georgia
LaFayette, Georgia 30728

Compliance

We have audited the compliance of Walker County, Georgia, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2001. 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.

The Walker County, Georgia's, general purpose 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, 2001. 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'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, 2001.

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's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Burk, Kaufman, Nelson, Higgins, PLLC

Chattanooga, Tennessee
January 24, 2002

WALKER COUNTY, GEORGIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2001

<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			
School Resource Officer	16.540		\$ 10,735
Bureau of Justice Assistance			
Multi-Jurisdictional Task Force	16.579		249,007
COPS Domestic Violence	16.710		41,823
Passed through State Criminal Justice Coordinating Council			
Victims of Crime Act (VOCA)	16.575	C98-8-101	39,861
Passed through State Criminal Justice Coordinating Council			
Domestic Violence (VAWA)	16.588	W99-8-053 W00-8-034	120,846
Passed through Bureau of Justice Assistance Office of Justice Programs			
Local Law Enforcement Block Grants	16.592	2000LB-BX-3330	<u>12,998</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>475,270</u>
U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through State Department of Community Development			
Community Development Block - State Grant	14.219	00P-Z-146-2399	<u>13,199</u>
U. S. DEPARTMENT OF TRANSPORTATION			
Passed through State Department of Transportation			
Transit Operating Assistance	20.509	MTG00-0092-00-038	70,000
Passed through National Highway Transportation and Safety			
Traffic Safety and Accident Prevention	20.600	2001146402SC	38,842
Passed through Appalachian Regional Commission (ARC) - Tennessee Valley Authority (TVA)			
Appalachian Development	23.002	01BKY-270815	<u>300,000</u>
TOTAL U. S. DEPARTMENT OF TRANSPORTATION			<u>408,842</u>

WALKER COUNTY, GEORGIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended September 30, 2001

<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>
DEPARTMENT OF EDUCATION			
Passed through State Department of			
Human Resources			
Safe and Drug Free Schools and			
Communities			
	84.186	427-93-101039-00	3,076
TOTAL FEDERAL ASSISTANCE			\$ <u>900,387</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

Subrecipient

The County did not provide Federal assistance to any subrecipient.

WALKER COUNTY, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2001

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

98-2 The County has failed to implement the corrective action plan.

Corrective Action/Response

When the implementation of GASB 34 goes into effect the County should have their fixed asset files in compliance with regulations.

98-3 Previously reported corrective action plan implemented. The finding is closed.

98-4 Previously reported corrective action plan implemented. The finding is closed.

98-5 The Clerk of Courts has failed to implement the corrective action plan.

Corrective Action/Response

Failure to remit interest money owed to the General Fund is excess of \$50,000. We recommend that all of the pre 1994 interest revenue be turned over as required for recording by and use by the General Fund.

98-6 Previously reported finding has been corrected. Information has been received; therefore, the Law Library Funds is no longer a scope limitation. The finding is closed.

99-1 Previously reported corrective action plan implemented. The finding is closed.

00-1 The Clerk of Courts has failed to implement the corrective action plan.

Corrective Action/Response

Failure to report and/or send all money received or sent to the County (other than agency money) should flow through the central administrative or finance office. We recommend that all money should be reported and/or sent through the central office.

00-2 Previously reported corrective action plan implemented. The finding is closed.

00-3 Previously questioned costs on the Law Library - Special Revenue Fund has been corrected. The amount of funds that were in question were received. The finding is closed.

WALKER COUNTY, GEORGIA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Fiscal Year Ended September 30, 2001

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major programs:

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

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

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

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
23.002	Appalachian Regional Commission (ARC) TVA Appalachian Development

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 Fiscal Year Ended September 30, 2001

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 98-2: FIXED ASSETS

Condition: Prior to 1984, fixed asset records were not maintained. An up-to-date record of fixed assets has not been prepared for all county assets. A yearly inventory is performed, but controls are not in place to provide assurance concerning asset security. A uniform capitalization policy is not followed by all departments in the County government. This condition was a prior year finding.

Criteria: Internal control procedures are necessary to safeguard the property, plant, and equipment of the County in order that reasonable assurance can be given as to the fixed asset valuation on the financial statements.

Effect: The yearly audit report is qualified.

Auditor's Recommendation: We recommend a fixed assets/inventory system be maintained that properly records the receipt and deletion of fixed assets. A County wide capitalization policy should be put into practice. We recommend that a written capitalization policy be implemented on all expenditure items with lives greater than one year and/or equal to or greater than \$1,000. When the implementation of GASB 34 goes into effect the County should have their fixed asset files in compliance with regulations.

Finding 98-5: INTEREST EARNED NOT TURNED OVER, NONCOMPLIANCE WITH LAW

Condition: In years prior to 1994, all interest earned in the Clerk of Courts' accounts should have been turned over monthly to the Governing County Authority. This policy was not followed, and the interest on the accounts has been kept by the Clerk of Courts' office. The interest amounts to approximately \$110,000, part but not all of which has been relinquished to County's General Fund.

Criteria: Interest earned in each cash account in the Clerk of Courts' office should have been turned over each month.

Compliance: The Clerk of Courts has failed to follow state law, (GA Code 15-21-55) which says that all surplus funds should be paid into the general fund for usage as specified in the law.

Effect: Revenues are understated and unavailable for current expenditures.

Recommendation: We recommend that all of the pre 1994 interest revenue be turned over as required for recording by and use by the County general fund.

Status: Approximately \$60,000 has been remitted to the County Treasurer/Commissioner as of September 30, 2001. Based upon information computed from interest bearing accounts, the Clerk of Courts continues to owe the County General Fund in excess of \$50,000.

Finding 00-1: CLERK OF COURTS

Condition: The Clerk received \$17,562 in grant funds from the "Georgia Superior Court Clerk's Cooperative Authority" in March 2000 and deposited it into a separate account.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2001

Criteria: Monies received or sent to the County (other than agency money) should flow through the administrative or finance office. Any restriction will be followed and reserves established, if required.

Effect: This money is restricted to use within the Clerk of Courts' office. If the receipt of money had been disclosed, the budget money within the Clerks' office may have been used in other areas of the County or helped to reduce the Clerks' budget.

Recommendation: All money should be reported and/or sent through the central office.

Finding 01-1: CASH MANAGEMENT

A. Commissioner's Office

Condition: Cash receipts were not being deposited daily.

Criteria: Internal control 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.

Auditor's 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.

B. Sheriff's Department

Condition: The cash drawer is not reconciled to the cash receipt book daily and the cash receipts are not deposited in a timely manner. Internal controls over the incoming mail/cash are inadequate.

Criteria: Internal control procedures should be in place to safeguard cash from loss or misappropriation and insure that reconciliations are timely prepared.

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

Auditor's Recommendation: Procedures should be implemented that require the cash drawer to be reconciled to the cash receipt book daily, and that cash receipts are deposited in a timely manner.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2001

C. Clerk of Courts

Condition: The bank accounts are not consistently reconciled to the checkbook. This was a prior year finding.

Criteria: Internal control procedures should be in place for the safeguarding of cash.

Effect: Evidence of failure to perform tasks such as reconciliation not prepared, or not timely prepared, limit management's effectiveness in safeguarding the Court's cash balances against errors.

Auditor's Recommendations: Internal control procedures should be in place to reconcile all checking and money market accounts to the check book on a monthly basis.

D. Tax Commissioner's Office

Condition: A cash disbursement's journal has not been maintained or reconciled to monthly revenue reports.

Criteria: Internal control procedures should be implemented to reconcile the cash disbursements journal to the revenue reports on a monthly basis.

Effect: Inadequate procedures and control techniques for this type and level of transaction activity can result in incorrect amounts being paid to the other funds or government agencies.

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

Finding 01-2: COMMISSIONER'S OFFICE - ACCOUNTS PAYABLE

Condition: Invoices are not marked or stamped "paid" at the time the invoices are paid.

Criteria: Internal control procedures should be in place to prevent possible duplicate payment of invoices.

Effect: Failure to mark "paid" on the invoices at the time the invoices are paid could result in duplicate payment.

Auditor's Recommendation: Internal control procedures should be implemented to insure that all invoices are marked or stamped "paid" at the time invoices are paid to prevent duplicate payment.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2001

Finding 01-3: GRANT RECORDS

A. Commissioner's Office

Condition: The present filing procedures for grants and awards is inadequate. There is not a central office where the accounting records are maintained for all grant and award programs resulting in a condition of accounting records not being orderly or appropriately filed.

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 put in place to provide reasonable assurance that program income is correctly recorded and reconciled to the general ledger on a monthly basis.

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

Auditor's 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 on 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.

B. Sheriff's Department

Condition: Requests for cash reimbursements were not made in a timely manner. A management recommendation was made regarding this issue for the past two years. Also, several reports requesting reimbursements were not completed accurately.

Criteria: Internal control procedures should be in place to provide reasonable assurance that the grant compliance requirements are adhered to and properly monitored.

Effect: Failure of noncompliance with grant requirements can result in possible loss of grant revenues.

Auditor's 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 on each grant. Reports should be filed within the first month, or sooner if required, following the month that the money is spent.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2001

Finding 01-4: PAYROLL AND RELATED LIABILITIES

A. Commissioner's Office

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

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

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

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

B. Sheriff's Department

Condition: Payroll related records are not properly maintained on individual employees. The employee time and attendance record sheet method currently being used is not in accordance with regulations governing public employers employing law enforcement officers. The Sheriff's Department has a different employee policy than the rest of the County; therefore, an accrual for compensated absences was recorded in the general long-term debt account group.

Criteria: Internal control procedures and techniques must be implemented to provide reasonable assurance that each individual employee's time and attendance record sheet provides an accurate and cumulative total showing the actual number of hours worked or taken, sick hours earned or taken, annual leave earned or taken, and compensated absence hours earned or taken.

Recommendation: Procedures should be implemented that improve the time sheet reporting method currently being used. We recommend that a software program that specializes in Georgia law enforcement recordkeeping of employees' hours and compensated absences be purchased and utilized. Also, the Sheriff Department's Employee Policy should be updated to reflect the current policy for compensated absences, annual and holiday leave.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2001

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. Department of Justice

COPS Domestic Violence - CFDA #16.710

Finding 01-5: Grant No. 1995CFWX4100 - Period ending December 31, 2001

Reportable Condition: TIMELINESS

Condition and Criteria: Progress reports have been filed late. Requests for reimbursements had not been filed since April 2000. A report was filed on January 18, 2002, for salary reimbursement that included salaries from July 1999 through December 2001.

Effect: By not complying with the guidelines established by the grantor, the County could be responsible for repaying grant revenues received.

Cause: The importance of deadlines not stressed.

Auditor's Recommendation: We recommend that in the future the Sheriff's Department complete the reports in accordance with the grant requirements.

Grantee Response: The Sheriff's Department agrees with the finding and will attempt to file reports in a timely manner and in accordance with the grant requirements.

Department of Transportation

Traffic Safety and Accident Prevention - CFDA #20.600
Passed through National Highway Transportation and Safety

Finding 01-6: Grant No. 2001146402SC - Period ending September 30, 2001

Reportable Condition: REPORTING

Condition and Criteria: Monthly progress reports have been filed late. The grant requirements state that a monthly progress report should be filed by the 20th day of the following month.

Effect: By not complying with the guidelines established by the grantor, the County could be responsible for repaying grant revenues received.

Cause: The importance of deadlines was not stressed, and due to the complex time sheet reporting method for keeping track of hours worked, the worksheets were hard to match to grant documents.

Auditor's Recommendation: We recommend that in the future the Sheriff's Department complete the reports in accordance with the grant requirements.

Grantee Response: The Sheriff's Department agrees with the finding and will attempt to file reports in a timely manner and in accordance with the grant requirements.

**BURK PEARLMAN
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INDEPENDENT AUDITOR'S REPORT ON
SPECIAL PURPOSE LOCAL OPTION SALES TAX

Commissioner
Walker County
Lafayette, Georgia 30728

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 2001, and have issued our report thereon dated January 24, 2002. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States as required by Section 48-8-121 of the Official Code of Georgia Annotated (OCGA).

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction which were identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. The accompanying schedules which list each identified project and information required by Section 48-8-121 OCGA present fairly the original estimated cost of each project and expenditures incurred for each project through September 30, 2001, the end of the fiscal year covered by this audit.

Burk, Pearlman, Nebben & Huggins, PLLC

Chattanooga, Tennessee
January 24, 2002

WALKER COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
ADOPTED APRIL 27, 1993
For the Fiscal Year Ended September 30, 2001

Project	Original Estimated Cost	Expenditures			Estimated Percentage of Completion
		Prior Years	Current Year	Total	
Walker County:					
Fire stations	\$ 1,200,000	\$ 1,387,330	\$ 51,950	\$ 1,439,280	100%
Water treatment plant	1,000,000	1,005,708	--	1,005,708	100
Landfill equipment	400,000	521,408	--	521,408	100
Courthouse renovation	900,000	880,971	787,975	1,668,946	100
Jail expansion	800,000	952,675	--	952,675	100
Lafayette sewer lines - Hwy 27	4,700,000	3,051,289	--	3,051,289	100
Walker Board of Education	4,500,000	2,893,414	--	2,893,414	64
Administrative expenses	--	--	5,032	5,032	--
	<u>13,500,000</u>	<u>10,692,795</u>	<u>844,957</u>	<u>11,537,752</u>	
CITY OF LAFAYETTE					
Sewer projects	1,600,150	1,344,815	406,379	1,751,194	100
Recreation facilities	500,000	500,000	--	500,000	100
CITY OF ROSSVILLE (Amended 2/98)					
Municipal building	--	107,824	--	107,824	
Fire stations	150,000	118,678	--	118,678	79
Sewer projects	100,000	101,406	--	101,406	100
Recreation	50,000	50,000	--	50,000	100
Senior citizen center	836,250	904,876	--	904,876	100
CITY OF CHICKAMAUGA					
Fire station	50,000	68,657	--	68,657	100
Recreation	30,000	29,699	--	29,699	100
Senior citizen center	60,000	89,804	--	89,804	100
Water project	538,150	361,252	86,129	447,381	83
LOOKOUT MOUNTAIN					
Sewer project	466,150	435,994	--	435,994	100
Recreation	50,000	87,283	--	87,283	100
Fire protection	--	76,932	--	76,932	
CITY OF FT. OGLETHORPE					
Sewer projects	69,300	--	--	--	--
	<u>\$18,000,000</u>	<u>\$14,970,015</u>	<u>\$ 1,337,465</u>	<u>\$16,307,480</u>	

The practice of leaving the interest earned within the account has resulted in overage of spending when compared to original budgeted amount.

WALKER COUNTY, GEORGIA
 SCHEDULE OF PROJECTS CONSTRUCTED WITH
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
 ADOPTED MARCH 17, 1998
 For the Fiscal Year Ended September 30, 2001

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Expenditures</u>			<u>Estimated Percentage of Completion</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Water and sewer	\$ 1,600,000	\$ 1,427,697	\$ 533,920	\$ 1,961,617	100%
Subtitle D landfill	5,900,000	1,713,593	1,081,758	2,795,351	47
Recreation	1,700,000	261,980	157,836	419,816	25
Renovation of courthouse	1,200,000	370,960	586,970	957,930	80
New agricultural center	400,000	117,829	475,500	593,329	100
Renovate, expand jail	1,200,000	1,653,120	247,037	1,900,157	100
New industrial park	1,000,000	350,133	823,281	1,173,414	100
Roads, streets, and bridges	5,750,000	933,885	588,242	1,522,127	100
Administration	--	10,180	7,646	17,826	--
Total for all projects	<u>\$18,750,000</u>	<u>\$ 6,839,377</u>	<u>\$ 4,502,190</u>	<u>\$11,341,567</u>	