

WALKER COUNTY, GEORGIA

ANNUAL FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2006

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

WALKER COUNTY GEORGIA  
ANNUAL FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2006

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**BURK PEARLMAN  
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INDEPENDENT AUDITOR'S REPORT

Commissioner  
Walker County, Georgia  
LaFayette, Georgia 30728

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2006, which collectively comprise Walker County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Walker County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit, the Walker County Health Department. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Walker County Health Department, is based on the report of the other auditors.

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

In our opinion, and based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2007 on our consideration of Walker County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and other required supplementary information on pages 3 through 11 and 43 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Walker County, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Projects constructed with Special Local Option Sales Tax Proceeds as required by Georgia code section OCGA 48-8-121 are also not a required part of the basic financial statements of Walker County, Georgia. The schedule of grant activities on page 63, the schedule of expenditures of federal awards, and the schedule of projects constructed with special purpose local option sales tax proceeds have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Burt, Pearson, Nelson, Higgins, PLLC*

Chattanooga, Tennessee  
January 5, 2007

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Walker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2006. Please read it in conjunction with the County's financial statements which follow this analysis.

*FINANCIAL HIGHLIGHTS*

- The assets of Walker County exceeded its liabilities at September 30, 2006 by \$27,020,721 (Net Assets). Of this amount, \$20,122,305 represented the investment in capital assets net of the related debt. This resulted in unrestricted net assets of \$6,898,416 that may be used to meet the government's ongoing obligations to citizens and creditors.
- In the county's business-type activities, expenses exceeded revenues by \$938,587. Revenues were insufficient to recoup costs largely due to high depreciation expense and accrued postclosure costs. A one time operating transfer of \$1,127,370 was made to the landfill to offset prior loses in connection to the MSW Landfill that has been funded by the general fund for postclosure costs.
- The County's governmental activities reported combined ending net assets of \$24,490,360, an increase of \$5,790,606 over the prior year net assets. Of this amount, \$6,881,743 remains in the various funds as unrestricted.
- Debt decreased by \$5,605,039. This was primarily due to bond payments of \$3,926,615, lease payments of \$837,958, the payment of a short-term tax anticipation note of \$1,425,000 and the acquisition of a new landfill lease for \$370,000.
- Tax revenue increased \$2,322,401 primarily due to a millage rate increase, which still leaves the County among the lowest in the state, and also due to an increase in sales tax collections.

*OVERVIEW OF THE FINANCIAL STATEMENTS*

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as trustee or agent for the benefit of those outside the government.

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

These two statements report the County's net assets and changes in them. One can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

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

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

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

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

#### FUND FINANCIAL STATEMENTS

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

The County has three kinds of funds:

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

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

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

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



WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. At the end of the current fiscal year, the County's assets exceeded liabilities by \$27,020,721. This excess is divided into two net asset categories. Investment in capital assets less any debt used to acquire these assets that is still outstanding is one of the components of net assets. Walker County uses these assets to provide service to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The other component is unrestricted net assets. The amount in this category normally represents amounts that may be used to meet the ongoing obligations to its citizens and creditors. The balance at September 30, 2006, is \$6,898,416 which may be used to meet the County's ongoing obligations.

**Net Assets**  
**September 30, 2006 and 2005**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current and other assets	\$18,493,967	\$18,869,468	\$ 93,809	\$ 89,577	\$18,587,776	\$18,959,045
Capital assets	23,577,075	22,889,708	3,861,993	3,756,579	27,439,068	26,646,287
<b>Total assets</b>	<b>42,071,042</b>	<b>41,759,176</b>	<b>3,955,802</b>	<b>3,846,156</b>	<b>46,026,844</b>	<b>45,605,332</b>
<b>Liabilities</b>						
Long-term liabilities	15,141,088	19,654,430	1,351,687	1,018,384	16,492,775	20,672,814
Other liabilities	2,439,594	3,404,992	73,754	486,194	2,513,348	3,891,186
<b>Total liabilities</b>	<b>17,580,682</b>	<b>23,059,422</b>	<b>1,425,441</b>	<b>1,504,578</b>	<b>19,006,123</b>	<b>24,564,000</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	17,608,617	13,775,777	2,513,688	2,740,866	20,122,305	16,516,643
Restricted	-	-	-	-	-	-
Unrestricted	6,881,743	4,923,977	16,673	( 399,288)	6,898,416	4,524,689
<b>Total net assets</b>	<b>\$24,490,360</b>	<b>\$18,699,754</b>	<b>\$2,530,361</b>	<b>\$2,341,578</b>	<b>\$27,020,721</b>	<b>\$21,041,332</b>

Net assets of the County's governmental activities increased by \$5,790,606 while the net assets of the business type activities increased by \$188,783. In the governmental funds, the increase was mainly due to a large part of the County's road work being financed with SPLOST funds and the increase in tax revenue due in part to the increase in the millage rate. The County's sole business activity is the Walker County Landfill. The landfill operated at a loss due to closure costs and depreciation expense. A one time operating transfer from the general fund to offset prior year unrecoverable losses due to postclosure cost on the MSW Landfill resulted in the increase in net assets.

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

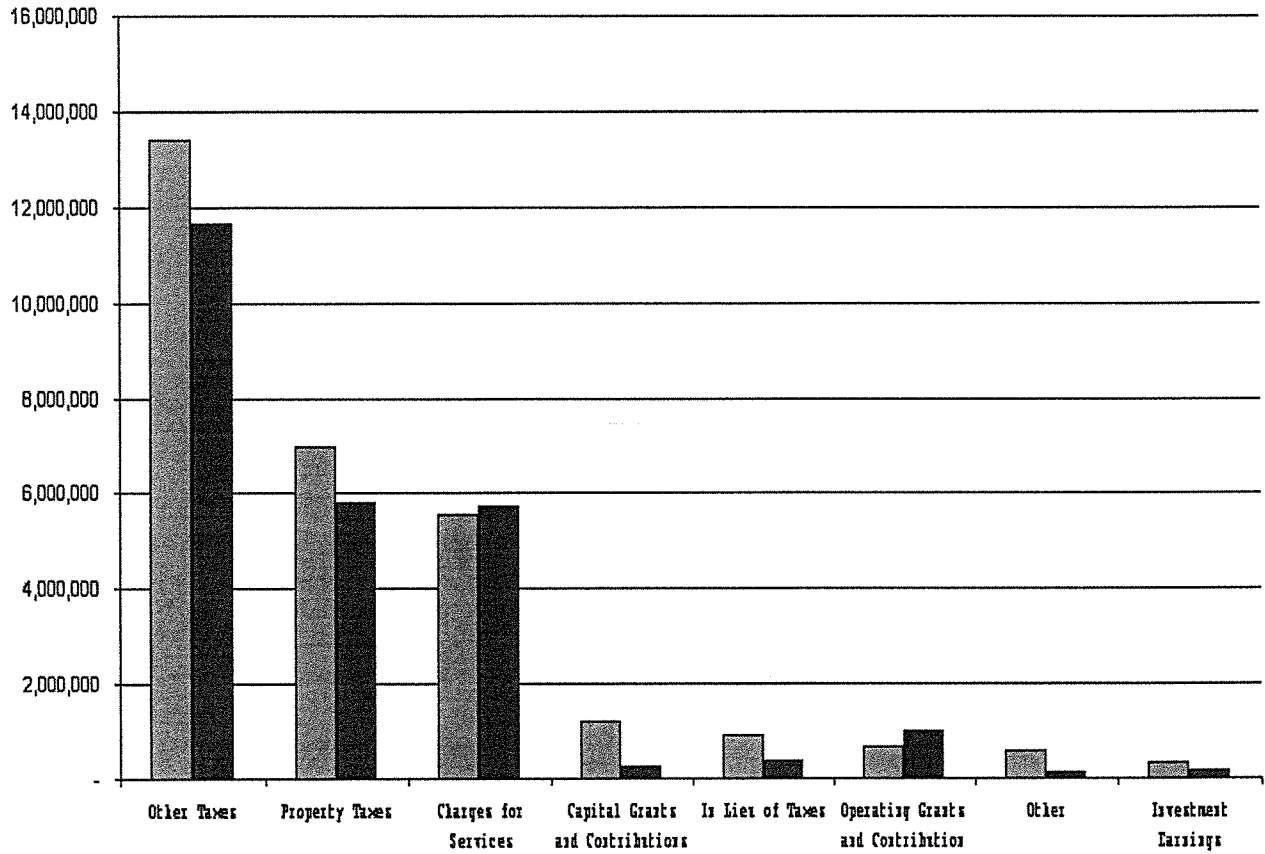
**Changes in Net Assets**  
**Year-ended September 30, 2006**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2006	2005	2006	2005	2006	2004
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 5,563,840	\$ 5,727,933	\$ 1,275,758	\$1,631,110	\$ 6,839,598	\$ 7,359,043
Operating Grants & Contributions	682,235	1,009,675	--	--	682,235	1,009,675
Capital Grants & Contributions	1,230,008	257,042	--	--	1,230,008	257,042
<b>General Revenues:</b>						
Property Taxes	6,975,484	5,811,070	--	--	6,975,484	5,811,070
Other Taxes	13,195,944	11,447,169	--	--	13,195,944	11,447,169
Other	2,046,814	803,571	75,933	982	2,122,747	804,553
<b>Total Revenues</b>	<b>29,694,325</b>	<b>25,056,460</b>	<b>1,351,691</b>	<b>1,632,092</b>	<b>31,046,016</b>	<b>26,688,552</b>
<b>Expenses:</b>						
General government	3,212,386	3,046,455	--	--	3,212,386	3,046,455
Judicial	2,633,104	2,592,638	--	--	2,633,104	2,592,638
Sheriff	5,459,325	5,622,254	--	--	5,459,325	5,622,254
Public Safety	3,763,714	3,851,749	--	--	3,763,714	3,851,749
Public Works	4,829,120	3,642,540	--	--	4,829,120	3,642,540
Health and Welfare	1,363,903	1,764,848	--	--	1,363,903	1,764,848
Recreation and Culture	382,355	394,269	--	--	382,355	394,269
Housing and Development	368,610	323,553	--	--	368,610	323,553
Intergovernment Payments	329,637	199,657	--	--	329,637	199,657
Interest on Long Term Debt	434,195	513,759	--	--	434,195	513,759
Solid Waste	--	--	2,290,278	2,226,072	2,290,278	2,226,072
<b>Total Expenses</b>	<b>22,776,349</b>	<b>21,951,722</b>	<b>2,290,278</b>	<b>2,226,072</b>	<b>25,066,627</b>	<b>24,177,794</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>6,917,976</b>	<b>3,104,738</b>	<b>( 938,587)</b>	<b>( 593,980)</b>	<b>5,979,389</b>	<b>2,510,758</b>
Transfers	( 1,127,370)	--	1,127,370	--	--	--
<b>Increase (decrease) in net assets</b>	<b>5,790,606</b>	<b>3,104,738</b>	<b>188,783</b>	<b>( 593,980)</b>	<b>5,979,389</b>	<b>2,510,758</b>
<b>Net assets - October 1 (as restated)</b>	<b>18,699,754</b>	<b>15,595,016</b>	<b>2,341,578</b>	<b>2,935,558</b>	<b>21,041,332</b>	<b>18,530,574</b>
<b>Net assets - September 30</b>	<b>\$24,490,360</b>	<b>\$18,699,754</b>	<b>\$ 2,530,361</b>	<b>\$ 2,341,578</b>	<b>\$27,020,721</b>	<b>\$21,041,332</b>

Total government wide revenue of \$31,046,016 was comprised of governmental activities (\$29,694,325) and business type activities (\$1,351,691). The revenue of the business type activity was almost solely charges for services. The following chart illustrates the distribution of the governmental revenue. The predominate source of revenue is the other tax category which is primarily Local Option Sales Tax, Special Purpose Local Option Sales Tax and business taxes. Special Purpose Local Option Sales Tax revenue which totaled \$5,932,525 is specifically earmarked and cannot be used to finance the normal operations of the County. The prior year is the darker column.

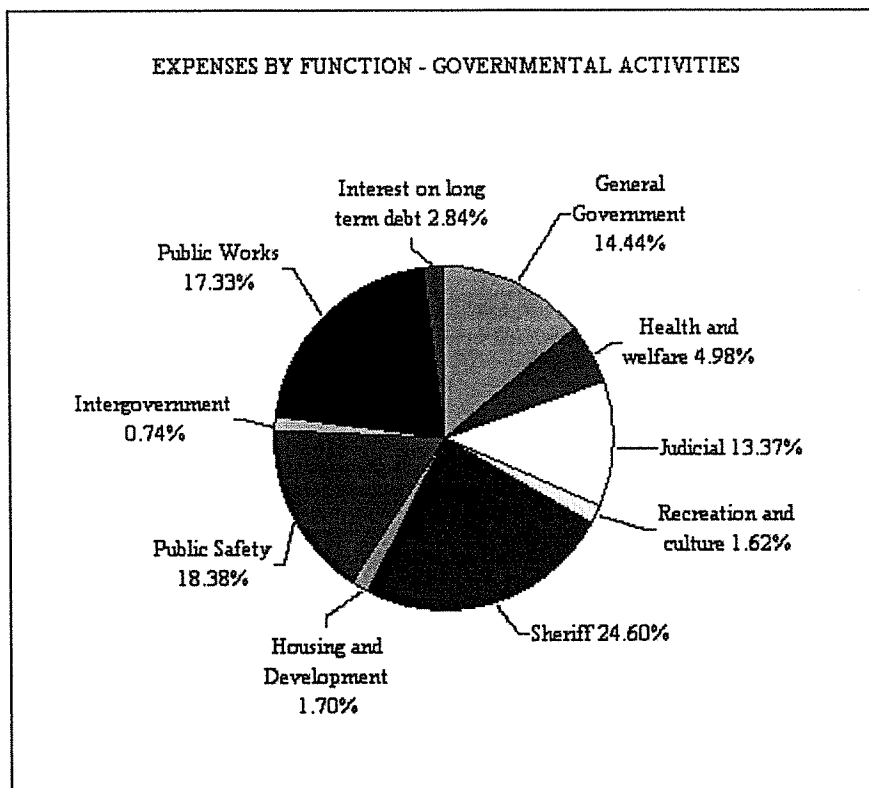
WALKER COUNTY, GEORGIA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Continued)

**REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES**



Government-wide expenses totaled \$25,066,627 for fiscal year 2006, including governmental activity expense of \$22,776,349 and business type activity expense of \$2,290,278. The following chart provides a visual depiction of expenditures of the governmental activities by function.

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)



**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

As the County completed the year, its governmental funds reported a combined fund balance of \$11,118,267. All but \$21,000 constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed. The reserved fund balance represents funds that are required to be expended on building maintenance.

The general fund is the chief operating fund of Walker County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,540,881. The unreserved fund balance increased by \$2,146,412 during the current year. This increase included operating transfers of \$1,495,272 to supplement operations of other funds. Among the operating transfers were \$80,021 to E911, \$154,898 to the county transportation system, \$1,127,370 to the landfill and \$132,982 required by federal and/or state grants as the County's matching share.

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

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

important funds. Non-major funds are aggregated and presented in single columns. The major funds, other than the general fund, of Walker County and their fund balances at year-end are: Fire and Rescue, (\$881,592) and SPLOST 2003, \$5,252,598. The fund balance in Fire and Rescue decreased by \$153,871 and the fund balance in SPLOST 2003 decreased by \$2,579,295. The change in Fire and Rescue was the result of actual revenues falling short of budgeted revenues. The decrease in SPLOST 2003 was primarily the result of acquiring capital assets which in fund accounting are treated as expenditures and act to decrease fund balance.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The County adopted a final budget after the end of the fiscal year. This amendment was primarily to account for the General Fund actual revenues exceeding budgeted revenues by \$2,886,605 and fund actual expenditures and other financing uses exceeding budgeted expenditures by \$742,018. The excess of revenue over budgeted revenues was primarily due to the following revenue categories where actual revenues exceeded budgeted revenues: intergovernmental receipts by \$305,767, licenses and permits \$214,287, other taxes by \$1,319,575, charges for services by \$73,996 and fines and forfeitures by \$324,887.

The budget amendment as to expenditures was essentially to realign expenditures. This was to take into effect a portion of the Road Department expenditures for road projects, and charge against SPLOST revenue. This savings to general fund expenditures offset most of the excess expenditures generated by the various County departments in the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital assets* - The County's investment in capital assets for its governmental funds as of September 30, 2006 totals \$23,577,075 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. Only infrastructure assets acquired after September 30, 2002, are included. The County's investment in capital assets for the current fiscal year decreased by \$687,367 net of accumulated depreciation.

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

- . Work on the animal shelter was completed and the new shelter was put into service during fiscal year ended 2006.
- . A railspur was built at the industrial park funded primarily by a grant from the Appalachian Regional Commission (ARC).
- . The Lakeview Sewer Project, funded in part by a \$500,000 CDBG Grant, continued construction.
- . A number of road paving projects funded in part by GA DOT were begun and will continue into next fiscal year.

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Capital Assets at Year End  
September 30, 2006 and 2005**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2006	2005	2006	2005	2006	2005
<b>Non-depreciable assets:</b>						
Land	\$ 370,443	\$ 370,443	\$ --	\$ --	\$ 370,443	\$ 370,443
Construction in progress	374,163	491,044	747,651	213,341	1,121,814	704,385
<b>Depreciable assets:</b>						
Buildings and improvements	17,710,038	17,045,219	306,771	306,771	18,016,809	17,351,990
Machinery and equipment	15,152,609	14,360,312	1,416,379	1,227,707	16,568,988	15,588,019
Infrastructure	2,567,196	1,313,281	--	--	2,567,196	1,313,281
C&D Landfill	--	--	4,016,605	4,016,605	4,016,605	4,016,605
Total	36,174,449	33,580,299	6,487,406	5,764,424	42,661,855	39,344,723
Less: accumulated depreciation	(12,597,374)	(10,690,591)	(2,625,413)	(2,007,845)	(15,222,787)	(12,698,436)
<b>Net capital assets</b>	<b>\$23,577,075</b>	<b>\$ 22,889,708</b>	<b>\$ 3,861,993</b>	<b>\$ 3,756,579</b>	<b>\$ 27,439,068</b>	<b>\$26,646,287</b>

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

*Debt* - At the end of the current fiscal year, the County had total debt outstanding of \$16,492,775. This consisted of bonds, lease obligations, landfill closure and postclosure costs and compensated absences.

SPLOST bonds in the amount of \$3,926,615 matured and were paid from current year SPLOST receipts which are escrowed for this purpose.

**Outstanding Debt at Year End  
September 30, 2006 and 2005**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 8,146,209	\$ 12,072,824	\$ --	\$ --	\$ 8,146,209	\$12,072,824
Lease Obligations	3,742,260	4,344,844	598,025	463,399	4,340,285	4,808,243
Notes Payable	--	1,425,000	--	--	--	1,425,000
Compensated Absences	486,004	441,992	3,382	2,671	489,386	444,663
Landfill Closure Costs	2,766,615	2,794,770	750,280	552,314	3,516,895	3,347,084
Totals	<b>\$15,141,088</b>	<b>\$ 21,079,430</b>	<b>\$ 1,351,687</b>	<b>\$ 1,018,384</b>	<b>\$16,492,775</b>	<b>\$ 22,097,814</b>

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

WALKER COUNTY, GEORGIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**ECONOMIC FACTORS AND THE 2007 BUDGET**

The unemployment rate for the fiscal year just ended was 4.5% up from 4.2% from the prior year while manufacturing continues to employ the greatest number of individuals with government running second. Local Option Sales Tax increased 18% in 2006 over 2005 while property tax revenue increased 35% due to an increase in the millage rate. Budgetary factors of concern as the 2007 budgets were prepared were as follows:

- Relative flat revenue expectations in charges for services
- Large budgeted increase in Judicial expenditures
- Large budgeted increase in Sheriff expenditures
- Change in pension plan from defined benefit plan
- Payroll cost of living increase after 18 month freeze

**REQUESTS FOR INFORMATION**

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

WALKER COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
September 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Health Department
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,246,272	\$ 418	\$ 1,246,690	\$ 752,433
Restricted cash	122,620	--	122,620	--
Investments	5,405,486	--	5,405,486	--
Receivables:				
Taxes	5,623,478	--	5,623,478	--
Accounts	270,713	93,391	364,104	233
Due from other governments	5,472,554	--	5,472,554	101,795
Prepaid expenses	171,222	--	171,222	--
Deferred charges - issuance costs	181,622	--	181,622	--
Capital assets not being depreciated	744,606	747,651	1,492,257	--
Capital assets, net of accumulated depreciation	<u>22,832,469</u>	<u>3,114,342</u>	<u>25,946,811</u>	<u>1,009</u>
<b>TOTAL ASSETS</b>	<u>42,071,042</u>	<u>3,955,802</u>	<u>46,026,844</u>	<u>855,470</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	1,662,412	63,985	1,726,397	4,158
Due to other governments	443,108	--	443,108	63,913
Due to heirs, litigants, and others	76,167	--	76,167	--
Deferred revenue	106,348	--	106,348	--
Accrued interest payable	151,559	9,769	161,328	--
Long-term liabilities -				
Portion due or payable within one year:				
Bonds payable	4,015,432	--	4,015,432	--
Capital leases	585,883	320,905	906,788	--
Compensated absences	264,313	3,382	267,695	--
Landfill closure and postclosure care costs	110,133	--	110,133	--
Portion due or payable after one year:				
Bonds payable	4,130,777	--	4,130,777	--
Capital leases	3,156,377	277,120	3,433,497	--
Compensated absences	221,691	--	221,691	77,439
Landfill closure and postclosure care costs	<u>2,656,482</u>	<u>750,280</u>	<u>3,406,762</u>	<u>--</u>
<b>TOTAL LIABILITIES</b>	<u>17,580,682</u>	<u>1,425,441</u>	<u>19,006,123</u>	<u>145,510</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	17,608,617	2,513,688	20,122,305	1,009
Unrestricted	<u>6,881,743</u>	<u>16,673</u>	<u>6,898,416</u>	<u>708,951</u>
<b>TOTAL NET ASSETS</b>	<u>\$24,490,360</u>	<u>\$ 2,530,361</u>	<u>\$27,020,721</u>	<u>\$ 709,960</u>

See accompanying notes to basic financial statements.



WALKER COUNTY, GEORGIA  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2006

FUNCTION/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			
				Capital Grants and Contributions	Governmental Activities	Business-type Activities	Component Unit
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government	\$ 3,212,386	\$ 716,207	\$ 22,500	\$ ( 2,473,679)			\$ ( 2,473,679)
Judicial	2,633,104	1,970,040	--	( 568,431)			( 568,431)
Sheriff	5,459,325	241,312	--	( 5,218,013)			( 5,218,013)
Public safety	3,763,714	2,297,036	371,697	( 864,748)			( 864,748)
Public works	4,829,120	--	675,062	( 4,154,058)			( 4,154,058)
Health and welfare	1,363,903	55,123	--	( 956,411)			( 956,411)
Culture and recreation	382,355	55,399	--	( 326,956)			( 326,956)
Housing and development	368,610	5,000	160,749	( 25,862)			( 25,862)
Intergovernmental payments	329,637	228,723	--	( 329,637)			( 329,637)
Interest on long-term debt	434,195	--	--	( 434,195)			( 434,195)
Total governmental activities	22,776,349	5,563,840	1,230,008	(15,300,266)			(15,300,266)
Business-type activities:							
Landfill	2,290,278	1,275,758	--	--		\$ (1,014,520)	( 1,014,320)
Total business-type activities	2,290,278	1,275,758	--	--		(1,014,520)	( 1,014,520)
Total primary government	\$25,066,627	\$6,839,598	\$1,230,008	(15,300,266)		(1,014,520)	(16,314,786)
<b>COMPONENT UNIT:</b>							
Walker County Health Department	\$ 1,669,326	\$ 363,191	\$ 1,055,082				\$ ( 251,053)
General Revenues:							
Taxes:							
General property taxes				6,975,484			6,975,484
General sales and use tax				10,680,509			10,680,509
Selective sales and use taxes				302,631			302,631
Business taxes				2,212,804			2,212,804
Penalties and interest on delinquent taxes				208,156			208,156
In lieu of taxes				916,267			916,267
Payment from Walker County				--			--
Unrestricted investment earnings				331,520			331,520
Gain on trade-in of capital assets				--			--
Miscellaneous				590,871			590,871
Transfers				( 1,127,370)			( 1,127,370)
Total general revenues and transfers				21,090,872			22,294,175
Change in net assets				5,790,606			31,824
Net assets - beginning				18,699,754			678,136
Net assets - ending				\$24,490,360		\$2,530,361	\$ 709,960

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2006

	General Fund	Fire and Rescue	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 636,356	\$ 30,839	\$ 483,962	\$ 95,115	\$ 1,246,272
Restricted cash	122,120	--	500	--	122,620
Investments	--	--	5,405,486	--	5,405,486
Receivables:					
Taxes	5,623,478	--	--	--	5,623,478
Accounts	134,513	72,331	--	63,869	270,713
Due from other funds	2,569,824	--	175,727	246,745	2,992,296
Due from other governments	3,901,679	--	1,144,337	426,538	5,472,554
<b>TOTAL ASSETS</b>	<u>\$12,987,970</u>	<u>\$ 103,170</u>	<u>\$7,210,012</u>	<u>\$ 832,267</u>	<u>\$21,133,419</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,403,694	\$ 65,214	\$ 152,754	\$ 40,750	\$ 1,662,412
Compensated absences	64,863	--	--	--	64,863
Due to other funds	197,140	859,078	1,475,023	461,055	2,992,296
Due to other governments	--	--	329,637	113,471	443,108
Due to heirs, litigants and others	76,167	--	--	--	76,167
Deferred revenue	4,684,225	60,470	--	31,611	4,776,306
<b>TOTAL LIABILITIES</b>	<u>6,426,089</u>	<u>984,762</u>	<u>1,957,414</u>	<u>646,887</u>	<u>10,015,152</u>
Fund Balances:					
Reserved for:					
Building maintenance	21,000	--	--	--	21,000
Unreserved, reported in:					
General fund	6,540,881	--	--	--	6,540,881
Special revenue funds	--	( 881,592)	--	185,380	( 696,212)
Capital projects funds	--	--	5,252,598	--	5,252,598
<b>TOTAL FUND BALANCES</b>	<u>6,561,881</u>	<u>( 881,592)</u>	<u>5,252,598</u>	<u>185,380</u>	<u>11,118,267</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$12,987,970</u>	<u>\$ 103,170</u>	<u>\$7,210,012</u>	<u>\$ 832,267</u>	<u>\$21,133,419</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 September 30, 2006

\$11,118,267

Total fund balances - governmental fund types

Total net assets reported for governmental activities in the statement of net assets is different

because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 370,443
Construction in progress	374,163
Infrastructure, net of \$166,516 accumulated depreciation	2,400,680
Buildings and improvements, net of \$3,664,165 accumulated depreciation	14,045,873
Equipment, net of \$748,967 accumulated depreciation	1,356,123
Vehicles, net of \$5,800,130 accumulated depreciation	3,888,888
Trucks and construction equipment, net of \$2,217,596 accumulated depreciation	<u>1,140,905</u>

23,577,075

Some of the County's expenditures are charged directly to the statement of revenues and expenditures under the modified accrual basis of accounting. Under the full accrual basis, these expenditures are reported as prepaid.

171,222

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

4,669,958

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets. Bond issuance costs of \$15,206 were incurred in connection with the debt issued at the end of fiscal year 2003, that will be expensed over the remaining life of the debt in the statement of activities.

Balances at September 30, 2006, are:

Accrued interest on bonds	( 151,559)
Bond issuance costs, net of amortization	181,622
Bonds payable	( 8,146,209)
Capital leases	( 3,742,260)
Compensated absences	( 421,141)
Landfill closure and postclosure care costs	( 2,766,615)

Total long-term liabilities

(15,076,225)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$24,490,360

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2006

	General Fund	Fire and Rescue	SPLOST 2003	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 5,771,775	\$ --	\$ --	\$ --	\$ 5,771,775
Other taxes	7,471,575	--	5,932,525	--	13,404,100
Licenses and permits	306,987	--	--	--	306,987
Intergovernmental	916,267	--	--	1,912,243	2,828,510
Charges for services	720,296	1,515,695	--	840,629	3,076,620
Fines and forfeitures	1,841,887	--	--	128,153	1,970,040
Investment income	41,038	3,295	286,057	1,130	331,520
Contributions and donations	51,398	--	--	33,171	84,569
Rental income	417,631	--	--	--	417,631
Miscellaneous	292,649	--	--	37,334	329,983
<b>TOTAL REVENUES</b>	<u>17,831,503</u>	<u>1,518,990</u>	<u>6,218,582</u>	<u>2,952,660</u>	<u>28,521,735</u>
EXPENDITURES					
Current:					
General government	3,039,771	--	750	75,380	3,115,901
Judicial	2,448,024	--	--	205,477	2,653,501
Sheriff	5,148,698	--	--	--	5,148,698
Public safety	499,124	1,333,557	--	1,562,529	3,395,210
Public works	1,182,966	--	--	497,494	1,680,460
Health and welfare	668,104	--	--	508,661	1,176,765
Culture and recreation	329,392	--	--	--	329,392
Housing and development	359,989	--	3,197,794	548,214	908,203
Capital outlay	--	--	--	1,035,216	4,233,010
Debt service:					
Principal retirement	405,063	197,521	3,845,000	--	4,447,584
Interest	126,590	105,468	308,213	--	540,271
Intergovernmental payments	--	--	329,637	--	329,637
<b>TOTAL EXPENDITURES</b>	<u>14,207,721</u>	<u>1,636,546</u>	<u>7,681,394</u>	<u>4,432,971</u>	<u>27,958,632</u>
Excess (deficiency) of revenues over expenditures	3,623,782	(117,556)	(1,462,812)	(1,480,311)	563,103
OTHER FINANCING SOURCES (USES)					
Transfers in	24,902	--	--	1,520,700	1,545,602
Transfers out	(1,495,272)	(36,315)	(1,116,483)	(24,902)	(2,672,972)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,470,370)</u>	<u>(36,315)</u>	<u>(1,116,483)</u>	<u>1,495,798</u>	<u>(1,127,370)</u>
Net changes in fund balance	2,153,412	(153,871)	(2,579,295)	15,487	(564,267)
Fund balances - beginning of year	4,408,469	(727,721)	7,831,893	169,893	11,682,534
Fund balances - end of year	<u>\$ 6,561,881</u>	<u>\$ (881,592)</u>	<u>\$ 5,252,598</u>	<u>\$ 185,380</u>	<u>\$ 11,118,267</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended September 30, 2006

Net changes in fund balances - total government funds \$( 564,267)

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Capital outlay for the period was \$2,594,150 and the related depreciation expense was \$1,906,783. 687,367
- Property taxes not reported as revenue under the modified accrual basis, but susceptible to accrual in the statement of net assets. 1,203,714
- Fire fees reported as revenue under the modified accrual basis, but not susceptible to accrual in the statement of net assets. ( 31,124)

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

- Bond principal payments \$3,845,000
- Amortization of bond issuance costs ( 86,375)
- Amortization of bond premiums 81,616
- Capital lease obligation payments 602,584

4,442,825

Expenditures recognized under the modified accrual basis of accounting for governmental funds, but recorded as prepaid expenses under the accrual basis. 23,169

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified basis of accounting until due, rather than as it accrues.

- Compensated absences ( 23,693)
- Accrued interest 24,460
- Landfill closure and postclosure care costs 28,155
- Change in net assets of governmental activities \$ 5,790,606

WALKER COUNTY, GEORGIA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
September 30, 2006

	Enterprise Fund
	Landfill
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash	\$ 418
Receivables, net of allowances	93,391
<b>TOTAL CURRENT ASSETS</b>	<b>93,809</b>
<b>NONCURRENT ASSETS</b>	
Capital assets, net of accumulated depreciation:	
C and D landfill	2,253,830
Buildings and improvements	239,527
Equipment	620,985
Construction in progress	747,651
<b>Total capital assets, net of accumulated depreciation</b>	<b>3,861,993</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,861,993</b>
<b>TOTAL ASSETS</b>	<b>3,955,802</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	63,985
Compensated absences	3,382
Capital lease payable - short-term	320,905
Accrued interest payable	9,769
<b>TOTAL CURRENT LIABILITIES</b>	<b>398,041</b>
<b>NONCURRENT LIABILITIES</b>	
Capital lease payable - long-term	277,120
Landfill closure and postclosure care costs - long-term	750,280
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,027,400</b>
<b>TOTAL LIABILITIES</b>	<b>1,425,441</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,513,688
Unrestricted (deficit) net assets	16,673
<b>TOTAL NET ASSETS</b>	<b>\$ 2,530,361</b>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
For the Year Ended September 30, 2006

	Enterprise Fund
	Landfill
OPERATING REVENUES	
Charges for services	\$ <u>1,275,758</u>
OPERATING EXPENSES	
Salaries	301,260
Employee benefits	86,455
Purchased services	607,161
Landfill closure/postclosure care costs	197,966
Professional fees	1,855
Repairs and maintenance	154,908
Depreciation	789,830
Supplies	129,418
Bad debt expense	<u>6,944</u>
TOTAL OPERATING EXPENSES	<u>2,275,797</u>
OPERATING INCOME (LOSS)	<u>(1,000,039)</u>
NONOPERATING REVENUES (EXPENSES)	
Gain on sale of capital asset	75,933
Interest expense on capital leases	<u>( 14,481)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>61,452</u>
TRANSFERS IN	<u>1,127,370</u>
CHANGE IN NET ASSETS	188,783
Total net assets - beginning	<u>2,341,578</u>
Total net assets - ending	<u>\$ 2,530,361</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended September 30, 2006

	Enterprise Fund
	<u>Landfill</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,264,582
Payments to suppliers	( 178,412)
Payments to employees	( 387,004)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>699,166</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	85,000
Acquisition and construction of capital assets	( 534,310)
Principal paid on capital lease obligations	( 235,375)
Interest paid on capital lease obligations	( 14,481)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>( 699,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>--</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>--</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>418</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 418</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$(1,000,039)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	789,830
Provisions for losses on accounts receivable	6,944
Landfill closure/postclosure care costs	197,966
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	( 11,176)
Increase (decrease) in accounts payable	63,985
Increase (decrease) in due to other funds	659,261
Increase (decrease) in accrued expenses	<u>( 7,605)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 699,166</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital lease	<u>\$ 370,000</u>

See accompanying notes to basic financial statements.



WALKER COUNTY, GEORGIA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2006

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$       --	\$ 1,618,288
Investments, at fair value:		
Guaranteed fixed income account	3,445,779	--
Mutual funds	<u>2,553,866</u>	<u>          --</u>
TOTAL ASSETS	<u>5,999,645</u>	<u>1,618,288</u>
LIABILITIES		
Accounts payable	--	19,032
Due to other governments	--	1,068,094
Due to heirs, litigants, and others	<u>          --</u>	<u>531,162</u>
TOTAL LIABILITIES	<u>          --</u>	<u>1,618,288</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see schedule of funding progress)	<u>\$ 5,999,645</u>	<u>\$           --</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
September 30, 2006

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ <u>865,637</u>
Total contributions	<u>865,637</u>
Investment income:	
Interest	<u>271,430</u>
Net investment income	<u>271,430</u>
TOTAL ADDITIONS	<u>1,137,067</u>
DEDUCTIONS	
General and administrative expenses	--
Benefits	533,388
Insurance premiums	<u>76,290</u>
Total deductions	<u>609,678</u>
CHANGE IN NET ASSETS	527,389
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>5,472,256</u>
End of year	<u>\$ 5,999,645</u>

See accompanying notes to basic financial statements.

WALKER COUNTY, GEORGIA  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.1 *Reporting Entity*

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

A.1.1 *Discretely Presented Component Unit*

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

A.1.2 *Related Organizations*

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

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

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

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

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

A.2 *Basis of Presentation*

A.2.1 *Government-wide Statements*

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

A.2.2 *Fund Financial Statements*

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

*Landfill.* This fund accounts for the operation, maintenance, and development of the County's transfer station and construction and demolition landfill.

The County reports the following fund types:

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

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

#### A.2.3 Accounting Period

All funds of Walker County, Georgia, are on fiscal year basis with the year ending September 30, 2006, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2006.

#### A.3 Measurement Focus, Basis of Accounting

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

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

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

#### A.4 *Budgetary Data*

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

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

#### A.5 *Encumbrances*

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

#### A.6 *Assets, Liabilities and Net Assets*

##### A.6.1 *Cash and Investments*

Cash in excess of current requirements is invested in certificates of deposits

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

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

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

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

Investments of the County are reported at fair value. The fair values of investments in external investment pools are the same as the value of the pool shares.

The County has no custodial credit risk policy, however, the County is permitted under state law to invest in obligations of Georgia or any other state, obligations issued by the U. S. government, obligations fully insured or guaranteed by the U. S. government, or by a government agency of the United States, obligations of any corporation of the U. S. government, prime bankers' acceptances, the local Government Investment Pool established by Code Section 36-83-8, repurchase agreements, and obligations of other political subdivisions of Georgia. It is the County's policy to follow State guidelines for investments.

#### A.6.2 *Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The amounts estimated to be uncollectible from property taxes receivable and accounts receivable for fire and rescue fees are \$296,900 and \$226,000, respectively. Estimated uncollectible accounts receivable in the landfill proprietary fund are \$25,000.

#### A.6.3 *Interfund Receivables and Payables*

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Amounts receivable from or payable to fiduciary funds are included in the Statement of Net Assets as receivable from

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

and payable to external parties, not as internal balances. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

A.6.4 *Prepaid Expenses*

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

A.6.5 *Deferred Charges*

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

A.6.6 *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. An exception to the \$5,000 threshold is capital lease assets. The County capitalizes all capital lease assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. GASB Statement No. 34 provides an extended period of deferral (until the fiscal year ending in 2007) before the County is required to record and depreciate infrastructure assets acquired before the implementation date becomes effective. This category is likely to be the largest asset class of the County. Historically, the financial statements have not reflected this asset or the depreciation expense for the systematic allocation of its consumption. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. GASB Statement No. 34 requires the reporting and depreciation of new infrastructure expenditures effective with the beginning of the implementation year (October 1, 2002).

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized for the fiscal year ending September 30, 2006.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	30 years
Buildings	50 years
Site Improvements	20 years
Furniture	20 years
Equipment	5 to 15 years
Vehicles	6 years



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

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

*A.6.7 Other Assets*

Other assets held are recorded and accounted for at cost.

*A.6.8 Accounts Payable and Accrued Liabilities*

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

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

*A.6.9 Deferred Revenues*

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

*A.6.10 Long-term Obligations*

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

*A.6.11 Net Assets*

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

*A.6.12 Governmental Fund Balance Reserves*

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

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

A.7 *Revenues and Expenditures and Expense*

A.7.1 *Property Tax Revenues*

Property taxes are generally levied around July 31<sup>st</sup> for the following fiscal year based on the assessed value of property as listed on the previous January 1. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Assessed values are an approximation of market value. Revaluation of real property must be made when the average assessed value falls below 40% of the sales price on property sold within the previous year. The last valuation date was January 1, 2002 for residential property, and January 1, 2005 for other real property, and January 1, 1998 for commercial property. Valuations were reassessed for all city property, most major subdivisions, and a partial reassessment of rural land as of January 1, 2006. Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible and delinquent accounts.

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

Lien date	January 1, 2006
Levy date	July 27, 2006
Due date	October 20, 2006
Delinquency date	December 20, 2006

A.7.2 *Interfund Transactions*

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

A.7.3 *Payments Between the County and Component Units*

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

A.8 *Estimates*

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

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

NOTE B - CASH AND INVESTMENTS

*Primary Government*

The cash and investments of the County were fully collateralized at September 30, 2006. The following schedules classify the cash and investments into three categories to give an indication of the level of risk assumed by the County at year end.

*Deposit Categories of Custodial Credit Risk*

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

*Investment Categories of Custodial Credit Risk*

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

The following schedule of cash and investments of all of the County's funds (including fiduciary funds) as of September 30, 2006, are categorized by custodial credit risk:

<u>Cash</u>	<u>Category</u>			<u>Carrying</u>	<u>Bank</u>		
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Balance</u>		
Deposits with financial institutions	\$3,744,269	\$ --	\$ --	\$2,987,598	\$3,744,269		
							Weighted Average Maturity (Years)
<u>Investment Type</u>	<u>Category</u>			<u>Carrying</u>	<u>Credit</u>	<u>Maturities</u>	<u>Weighted Average Maturity (Years)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Rating</u>		
<u>Primary Government</u>							
Georgia Fund 1	\$ --	\$3,917,472	\$ --	\$3,917,472	AAAm	less than 6 months	.08
Federal Home Loan Mortgage Discount Notes	--	1,488,014	--	1,488,014	A-1+	less than 6 months	0.17
	\$ --	\$5,405,486	\$ --	\$5,405,486			
<u>Fiduciary Fund</u>							
Guaranteed fixed income account	\$ --	\$3,445,778	\$ --	\$3,445,778	N/A	less than 6 months	
Open end mutual funds	--	2,553,867	--	2,553,867	N/A	less than 6 months	
	\$ --	\$5,999,645	\$ --	\$5,999,645			

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

\$1,488,014 or 28% of the \$5,405,486 invested for the SPLOST 2003 capital projects fund is invested in Federal Home Loan Mortgage Discount Notes. At September 30, 2006, more than 5% of the County's total investments were investments in securities of U.S. agencies not explicitly guaranteed by the U.S. government. These investments represented approximately 13% of total investments. The County is not subject to interest rate risk.

The deposits of the County are included in the following classifications at September 30, 2006.

Primary government:	
Cash and cash equivalents	\$ 1,246,690
Restricted cash	122,620
Agency funds:	
Cash	<u>1,618,288</u>
Total deposits with financial institutions	<u>\$ 2,987,598</u>

*Component Unit*

Walker County Health Department. The Health Department's cash and cash equivalents are considered to be demand deposits. All deposits were entirely insured or collateralized as of June 30, 2006.

At June 30, 2006, cash consisted of the following:

Cash and cash equivalents	<u>\$752,433</u>
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NOTE C - INTERFUND BALANCES AND ACTIVITY

*Balances Due To/From Other Funds*

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

Due to:	
General fund from Fire and Rescue fund	\$ 809,472
General fund from SPLOST 2003 fund	1,475,023
General fund from nonmajor governmental funds	285,329
SPLOST 2003 fund from nonmajor governmental funds	175,727
Nonmajor governmental funds from General fund	197,139
Nonmajor governmental funds from Fire and Rescue fund	<u>49,606</u>
Total	<u>\$ 2,992,296</u>
Due from:	
Other funds, Balance Sheet - Governmental Funds	<u>\$ 2,992,296</u>
Total	<u>\$ 2,992,296</u>

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

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

*Transfers To/From Other Funds*

Transfers to/from other funds at September 30, 2006, consist of the following:

From the General Fund to the Landfill fund to offset prior losses	\$ 1,127,370
From the General fund to the E911 fund for operating expenditures	80,021
From the General fund to the Grant fund for County matching requirements	112,291
From the General fund to the Transportation Fund for operating expenditures	154,898
From the General fund to the Lakeview Sewer Fund for County matching requirements	20,691
From the Drug Task Force to the General fund to close the fund	24,902
From the Fire and Rescue fund to the Grant fund for County matching requirements	36,315
From the SPLOST 2003 fund to the Lakeview Sewer fund for capital expenditures	514,525
From the SPLOST 2003 fund to the Grant fund for capital expenditures	601,959
Total	<u>\$ 2,672,972</u>

A one time operating transfer of \$1,127,370 was made to the landfill to offset prior losses in connection to the MSW landfill that has been funded by the general fund for postclosure costs.

NOTE D - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2006, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Capital assets not being depreciated:					
Land	\$ 370,443	\$ --	\$ --	\$ --	\$ 370,443
Construction in progress	<u>491,044</u>	<u>28,000</u>	<u>--</u>	<u>( 144,881)</u>	<u>374,163</u>
Total capital assets not being depreciated	<u>861,487</u>	<u>28,000</u>	<u>--</u>	<u>( 144,881)</u>	<u>744,606</u>
Capital assets being depreciated:					
Infrastructure	1,313,281	1,253,915	--	--	2,567,196
Buildings and improvements	17,045,219	519,938	--	144,881	17,710,038
Equipment	1,552,410	545,580	--	7,100	2,105,090
Vehicles	9,442,301	246,717	--	--	9,689,018
Trucks and construction equipment	<u>3,365,601</u>	<u>--</u>	<u>--</u>	<u>( 7,100)</u>	<u>3,358,501</u>
Total capital assets being depreciated	<u>32,718,812</u>	<u>2,566,150</u>	<u>--</u>	<u>144,881</u>	<u>35,429,843</u>
Less accumulated depreciation for:					
Infrastructure	99,520	66,996	--	--	166,516
Buildings and improvements	3,347,332	316,833	--	--	3,664,165
Equipment	514,496	234,471	--	--	748,967
Vehicles	4,842,266	957,864	--	--	5,800,130
Trucks and construction equipment	<u>1,886,977</u>	<u>330,619</u>	<u>--</u>	<u>--</u>	<u>2,217,596</u>
Total accumulated depreciation	<u>10,690,591</u>	<u>1,906,783</u>	<u>--</u>	<u>--</u>	<u>12,597,374</u>
Total capital assets being depreciated, net	<u>22,028,221</u>	<u>659,367</u>	<u>--</u>	<u>144,881</u>	<u>22,832,469</u>
Governmental activity capital assets, net	<u>\$22,889,708</u>	<u>\$ 687,367</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$23,577,075</u>

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Landfill:				
Capital assets not being depreciated:				
Construction-in-progress	\$ 213,341	\$ 534,310	\$ --	\$ 747,651
Total capital assets not being depreciated	<u>213,341</u>	<u>534,310</u>	<u>--</u>	<u>747,651</u>
Capital assets being depreciated and amortized:				
C & D Landfill	4,016,605	--	--	4,016,605
Buildings and improvements	306,771	--	--	306,771
Machinery and equipment	405,018	--	--	405,018
Capital lease assets	765,270	370,000	181,328	953,942
Vehicles	47,377	--	--	47,377
Furniture and fixtures	1,028	--	--	1,028
Software	1,508	--	--	1,508
Computers, radios, and electronics	7,506	--	--	7,506
Total capital assets being depreciated and amortized	<u>5,551,083</u>	<u>370,000</u>	<u>181,328</u>	<u>5,739,755</u>
Less accumulated depreciation and amortization for:				
C & D Landfill	1,124,650	638,125	--	1,762,775
Buildings and improvements	58,281	8,963	--	67,244
Machinery and equipment	364,949	22,919	--	387,868
Capital lease assets	424,530	110,879	172,262	363,147
Vehicles	30,438	7,290	--	37,728
Furniture and fixtures	94	51	--	145
Software	244	302	--	546
Computers, radios, and electronics	4,659	1,301	--	5,960
Total accumulated depreciation and amortization	<u>2,007,845</u>	<u>789,830</u>	<u>172,262</u>	<u>2,625,413</u>
Total capital assets being depreciated, net	<u>3,543,238</u>	<u>( 419,830)</u>	<u>9,066</u>	<u>3,114,342</u>
Business-type activities capital assets, net	<u>\$ 3,756,579</u>	<u>\$ 114,480</u>	<u>\$ 9,066</u>	<u>\$ 3,861,993</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Component Unit:				
Capital assets being depreciated				
Machinery and equipment	\$ 14,142	\$ --	\$ --	\$ 14,142
Total capital assets being depreciated	<u>14,142</u>	<u>--</u>	<u>--</u>	<u>14,142</u>
Less accumulated depreciation for:				
Machinery and equipment	11,112	2,021	--	13,133
Total accumulated depreciation	<u>11,112</u>	<u>2,021</u>	<u>--</u>	<u>13,133</u>
Governmental activities capital assets, net	<u>\$ 3,030</u>	<u>\$ ( 2,021)</u>	<u>\$ --</u>	<u>\$ 1,009</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 74,548
Judicial	56,065
Sheriff	302,706
Public safety	729,920
Public works	487,392
Health and welfare	214,863
Culture and recreation	37,668
Housing and development	<u>3,621</u>
	<u>\$1,906,783</u>

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

NOTE E - PENSION PLAN

*Plan Description.* Three hundred and twenty (320) 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, 2005. 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 hired prior to December 31, 2005, and their beneficiaries, that have been employed full time for one year. Employees begin vesting after 3 years of service and are fully vested after 7 years. Members may retire at age 65 with 3 years of service, age 60 with 20 years of service, or age 55 with 25 years of service. Benefits are calculated at 1.10% of five years average earnings multiplied by credited service plus 0.65% of average compensation in excess of \$10,000 multiplied by credited service up to 35 years. The plan was amended effective December 31, 2005 and participation was frozen for individuals who were not active employees or participants on that date and who were hired or rehired after that date.

*Funding Policy and Pension Cost.* Contribution requirements are actuarially determined and may be amended by the County. Plan members are not allowed to contribute to the plan. The funding policy for the plan is to make annual contributions at least equal to the minimum contribution required for public retirement systems under Section 47-20-10 of the Official Code of Georgia Annotated. This minimum contribution is equal to the normal cost for the year plus annual payments to amortize increases (decreases) in the unfunded actuarial accrued liability over various prescribed periods. The normal cost for the County's Plan for 2005 has increased as a percentage of covered payroll from 10.17% in 2004 to 10.55% in 2005. 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, 2005 were \$884,590 and were made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2006, (the most recent actuarial valuation date). The County's covered payroll for the plan year ended January 1, 2006, was \$7,426,230 and the total payroll was \$9,624,400.

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

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

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

Three-Year Trend Information

<u>Year Ending</u>	<u>Employer Annual Pension Cost (APC)</u>	<u>Annual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net (EOY) Pension Obligation</u>
December 31, 2003	\$650,888	\$650,888	100.0%	--
December 31, 2004	771,765	771,765	100.0	--
December 31, 2005	884,590	884,590	100.0	--

Schedule of Funding Progress

<u>Actuarial Valuation for Plan Year Beginning January 1,</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Frozen Entry Age Cost Method (b)</u>	<u>Unfunded Actuarial Accrued Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Unfunded Actuarial Accrued Liability as % of Covered Payroll (b-a/c)</u>
2004	\$4,663,473	\$5,258,586	\$595,113	88.7%	\$7,045,250	8.4%
2005	5,472,256	6,041,225	568,969	90.6	7,394,886	7.7
2006	5,999,645	6,528,556	528,911	91.9	7,426,230	7.1

*Significant Actuarial Assumptions.* The significant actuarial assumptions used to compute the actuarial accrued liability and the annual recommended contribution to the plans meet the Actuarial Standard of Practice No. 4, Measuring Pension Obligations, establishing generally accepted actuarial principles and practices. The plan was amended to remove limit on service for the excess portion of the plan benefit for those who terminate employment after February 29, 2004 and before January 1, 2005 and elect to have this provision apply to them. The amendment did not change any of the provisions for those who are still active on January 1, 2005.

The significant actuarial assumptions used in the current valuation are:

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

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

*Plan Membership Data.* As of January 1, 2006, the current plan membership includes the following categories of participants.

Plan Participants:	
Retirees and beneficiaries currently receiving benefits	11
Terminated employees entitled to benefits but not yet receiving them	50
Active participants	<u>259</u>
Total	<u>320</u>



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

*Investments*

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

Summary of Investments as of January 1, 2006

	<u>Fair Value</u>	<u>% of Total</u>
Lincoln Financial Group:		
Guaranteed fixed income account	\$ 3,445,778	57.43%
Balanced account	1,257,766	20.96
Equity Growth account	703,809	11.73
Government/Corporate bond	<u>592,292</u>	<u>9.88</u>
Total	<u>\$ 5,999,645</u>	<u>100.00%</u>

Note F - POST-EMPLOYMENT BENEFITS

The County sponsors a post employment benefit plan to eligible employees of the County. These employees must have attained age 60 with at least twenty years of service, and have retired from the County with no other medical insurance. The retired employee will be allowed to continue the medical insurance coverage they were receiving as of the date of retirement, with the County continuing to pay the employer portion of the cost until the employee attains age 65. The employee must contribute the amount that would be withheld from payroll if still employed. At September 30, 2006, the County had not adopted a resolution for the plan's provisions. The plan is financed on a pay-as-you-go basis. The benefit expenditure at September 30, 2006, was \$8,229, net of any participant contributions. Four participants were eligible to receive benefits at September 30, 2006.

NOTE G - SHORT-TERM DEBT

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

Changes in short-term obligations for the year ended September 30, 2006, are as follows:

	<u>October 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2006</u>
Line of credit agreement	<u>\$ 1,425,000</u>	<u>\$ --</u>	<u>\$ 1,425,000</u>	<u>\$ --</u>

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

NOTE H - LONG-TERM DEBT

*Long-term Obligation Activity*

The following is a summary of the County's long-term debt transactions for the year ended September 30, 2006.

	Balance October 1, 2005	Additions	Reductions	Balance September 30, 2006	Amounts Due Within One Year	Accrued Interest
<b>GOVERNMENTAL ACTIVITIES</b>						
Capital leases	\$ 4,344,844	\$ --	\$ 602,584	\$ 3,742,260	\$ 585,883	\$ 91,663
Bonds payable	12,072,824	--	3,926,615	8,146,209	4,015,432	59,896
Compensated absences	441,992	47,455	3,443	486,004	264,313	--
Landfill closure/ postclosure costs	<u>2,794,770</u>	<u>--</u>	<u>28,155</u>	<u>2,766,615</u>	<u>110,133</u>	<u>--</u>
	<u>\$19,654,430</u>	<u>\$ 47,455</u>	<u>\$ 4,560,797</u>	<u>\$15,141,088</u>	<u>\$ 4,975,761</u>	<u>\$ 151,559</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Landfill:						
Capital leases	\$ 463,399	\$ 370,000	\$ 235,374	\$ 598,025	\$ 320,905	\$ 9,769
Compensated absences	2,671	711	--	3,382	3,382	--
Landfill closure/ postclosure costs	<u>552,314</u>	<u>197,966</u>	<u>--</u>	<u>750,280</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,018,384</u>	<u>\$ 568,677</u>	<u>\$ 235,374</u>	<u>\$ 1,351,687</u>	<u>\$ 324,287</u>	<u>\$ 9,769</u>

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

*Debt Service Requirements*

Debt service requirements on bonds payable at September 30, 2006, are as follows:

Year ending September 30,	Governmental Activities	
	Bonds	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 4,015,432	\$ 205,019
2008	<u>4,130,777</u>	<u>90,156</u>
	<u>\$ 8,146,209</u>	<u>\$ 295,175</u>

The County issued \$17,355,000 in general obligation sales tax bonds, series 2003, on September 30, 2003, for capital outlay projects outlined in the special purpose local option sales tax referendum. The interest rate on the bonds range from 2.0% to 4.0% with principal payments due in amounts ranging from \$1,690,000 to \$4,115,000. Principal payments began July 2004 and mature in July 2008. Interest and principal payments are due semi-annually. The bonds are payable from proceeds of the 2003 special purpose local option sales tax referendum.

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

*Capital Leases*

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

	Governmental Activities	Business-type Activities	
		Landfill	Total
Buildings	\$ 3,562,705	\$ --	\$ 3,562,705
Vehicles and equipment	6,960,982	953,942	7,914,924
Total capital lease assets	10,523,687	953,942	11,477,629
Accumulated amortization	4,670,758	363,147	5,033,905
Capital lease assets, net	\$ <u>5,852,929</u>	\$ <u>590,795</u>	\$ <u>6,443,724</u>

Future minimum lease payments at September 30, 2006, are as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	
		Landfill	
2007	\$ 727,396	\$ 320,905	
2008	707,024	74,387	
2009	719,355	74,387	
2010	732,056	74,387	
2011	707,552	127,040	
2012-2015	855,980	--	
Total minimum lease payments	4,449,363	671,106	
Less: Deferred interest	( 707,103)	( 73,081)	
Present value minimum lease payments	\$ <u>3,742,260</u>	\$ <u>598,025</u>	

The interest rates on the capitalized leases range from 4.07% to 9.31% and are imputed based on the County's incremental borrowing rate at the inception of the lease. All capital leases have a bargain purchase option for a nominal amount.

NOTE I - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

For the year ended September 30, 2006, the County had no material excess of expenditures over appropriations in individual funds.

I.3 *Deficit Fund Balances*

The fire and rescue fund had a deficit fund balance of \$881,592 at September 30, 2006. This deficit will be eliminated through future charges for services.

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

NOTE J - RISK MANAGEMENT

Walker County, Georgia, is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Being unable to obtain general liability and workers' compensation insurance at a cost it considered to be economically justifiable, the County joined together with other counties in the State in participation in the Association of County Commissioners of Georgia - Inter Local Risk Management Agency and the Group Self-Insured Workers' Compensation Fund. These are public entity risk pools currently operating as a common risk management and insurance program for many of the counties in the State. The County pays an annual premium to the funds for general liability and workers' compensation insurance coverage. The agreement between the members of the public entity risk pools provides that members may be required to pay additional assessments as shall be established by the Board of the pool. However, no additional assessments have been required of the members since formation of the pools.

The County is obligated to cooperate with the pools' agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The County is also to allow the pools' agents and attorneys to represent the County in investigation, settlement discussions and all levels of litigation arising out of any claim made against the County within the scope of loss protection furnished by the funds.

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

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

NOTE K - CLAIMS AND JUDGMENTS

The County participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of September 30, 2006, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the County.

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

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

NOTE L - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

At September 30, 2006, the County had incurred a liability of approximately \$750,280 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 37 percent of landfill capacity used to date. The remaining estimated liability for these costs is approximately \$1,277,500 which will be recognized as the remaining capacity is used (estimated to be approximately 7 years).

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

The County also owns a solid waste landfill which discontinued operations in June 1998. The solid waste is accepted at a transfer station and transported to a location out of the County by an outside contractor. The landfill will continue to incur costs associated with the closing of the landfill in order to comply with EPA requirements. In addition, the County will be required to monitor various wells for a period of time. At September 30, 2006, a liability for postclosure care costs is recorded in the amount of \$2,766,615, which is based on engineering reports, for maintaining the landfill site in future years. However, management's estimate of postclosure costs is contingent upon its ability to satisfy EPA requirements, and costs could be significantly higher if full compliance is not achieved. These costs will be met with future County revenues.

NOTE M - JOINT VENTURE

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

**REQUIRED SUPPLEMENTARY INFORMATION**

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 5,439,400	\$ 5,771,775	\$ 5,771,775	\$ --
Other taxes	6,152,000	7,471,575	7,471,575	--
Licenses and permits	92,700	306,987	306,987	--
Intergovernmental	610,500	916,267	916,267	--
Charges for services	646,300	720,296	720,296	--
Fines and forfeitures	1,517,000	1,841,887	1,841,887	--
Investment income	1,500	41,038	41,038	--
Contributions and donations	--	51,398	51,398	--
Rental income	406,800	417,631	417,631	--
Miscellaneous	103,600	292,649	292,649	--
<b>Total revenues</b>	<b>14,969,800</b>	<b>17,831,503</b>	<b>17,831,503</b>	<b>--</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
<b>General government</b>				
Governing body	524,492	645,039	645,039	--
Elections	119,955	221,909	221,909	--
Accounting	159,804	176,514	176,514	--
Licensing	7,452	8,100	8,100	--
Data processing	52,026	65,733	65,733	--
Tax commissioner	426,604	673,498	673,498	--
Tax assessor	409,354	549,870	549,870	--
Board of equalization	4,600	13,994	13,994	--
General government buildings and plant	215,818	444,045	444,045	--
Marsh Warthen house	4,600	3,634	3,634	--
Records management	62,974	104,990	104,990	--
General administration fees	53,912	70,536	70,536	--
<b>Judicial</b>				
Clerk of courts	411,194	633,574	633,574	--
Superior court	158,925	248,782	248,782	--
District attorney	204,753	183,860	183,860	--
State court	198,150	239,071	239,071	--
State court solicitor	122,866	160,859	160,859	--
Magistrate court	206,816	281,912	281,912	--
Probate court	156,998	220,903	220,903	--
Juvenile court	182,436	231,651	231,651	--
Grand jury	600	548	548	--
Public defender	177,220	186,962	186,962	--
Court reporter	54,832	59,902	59,902	--
<b>Sheriff</b>				
Police administration	214,544	303,732	303,732	--
Law enforcement administration	311,604	341,628	341,628	--
Criminal investigation	627,450	668,074	668,074	--
Vice control	3,680	133,867	133,867	--
Patrol	1,459,027	1,727,306	1,727,306	--
Custody of prisoners	1,312,144	1,455,549	1,455,549	--
DARE program	135,102	91,815	91,815	--
Training	60,950	50,992	50,992	--
Special detail services	2,300	2,252	2,252	--
Sheriff's office and building	69,000	105,163	105,163	--
Court services	604,486	559,999	559,999	--
Bailiff	5,520	12,052	12,052	--
<b>Public safety</b>				
Coroner/medical examiner	42,642	56,037	56,037	--
Animal control	79,304	139,355	139,355	--

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public works				
Highways and streets administration	\$ 169,955	\$ 868,120	\$ 868,120	\$ --
Paved street	886,352	( 497,065)	( 497,065)	--
Other maintenance	482,270	475,345	475,345	--
Bridges, viaducts, and grade separations	16,569	151	151	--
Traffic engineering	99,127	113,905	113,905	--
Stormwater collection and disposal	97,874	--	--	--
Closure and postclosure costs	--	71,025	71,025	--
Maintenance and shop	330,193	313,430	313,430	--
Health and welfare				
Public health administration	246,468	293,330	293,330	--
Mosquito control	5,060	9,943	9,943	--
Ambulance services	207,000	157,500	157,500	--
Indigent medical care	1,000	--	--	--
Health department building and plant	10,650	9,504	9,504	--
Welfare administration	--	236	236	--
Children's Crisis Center	9,200	20,000	20,000	--
Intergovernmental welfare payments	72,500	67,191	67,191	--
Food pantry	--	727	727	--
Other welfare payments	600	25,884	25,884	--
DEFACS building and plant	407,891	373,861	373,861	--
Meals on wheels	49,082	53,665	53,665	--
Civic center	140,714	166,083	166,083	--
Senior center	8,850	4,358	4,358	--
Special projects	38,778	61,912	61,912	--
Culture and recreation				
Agricultural center	15,456	15,997	15,997	--
Historical preservation	6,800	18,311	18,311	--
Library administration	129,000	129,000	129,000	--
Conservation administration	25,267	--	--	--
Housing and development				
County agent	66,930	64,108	64,108	--
Forest resources	--	14,799	14,799	--
Planning and zoning	96,684	103,610	103,610	--
Economic development administration	80,850	69,860	69,860	--
Economic development	86,000	107,612	107,612	--
Debt Service:				
Principal retirement	2,122,150	--	--	--
Interest	--	21,612	21,612	--
<u>Total expenditures</u>	<u>14,753,404</u>	<u>14,207,721</u>	<u>14,207,721</u>	<u>--</u>
Excess (deficiency) of revenues over expenditures	<u>216,396</u>	<u>3,623,782</u>	<u>3,623,782</u>	<u>--</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	24,902	24,902	--
Transfers out	( 207,571)	( 1,495,272)	( 1,495,272)	--
<u>Total other financing sources   (uses)</u>	<u>( 207,571)</u>	<u>( 1,470,370)</u>	<u>( 1,470,370)</u>	<u>--</u>
Net changes in fund balance	\$ <u>8,825</u>	2,153,412	2,153,412	\$ <u>--</u>
Fund balances - beginning of year		<u>4,408,469</u>	<u>4,408,469</u>	
Fund balance - end of year		\$ <u>6,561,881</u>	\$ <u>6,561,881</u>	



WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 FIRE & RESCUE FUND  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Charges for services	\$ 1,652,500	\$ 1,515,695	\$ 1,515,695	--
Investment income	--	3,295	3,295	--
Total revenues	<u>1,652,500</u>	<u>1,518,990</u>	<u>1,518,990</u>	--
<b>EXPENDITURES</b>				
<b>Current:</b>				
Public safety	1,708,800	1,333,557	1,333,557	--
<b>Debt Service:</b>				
Principal retirement	--	197,521	197,521	--
Interest	--	105,468	105,468	--
Total expenditures	<u>1,708,800</u>	<u>1,636,546</u>	<u>1,636,546</u>	--
Excess (deficiency) of revenues over expenditures	( 56,300)	( 117,556)	( 117,556)	--
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	--	( 36,315)	( 36,315)	--
Total other financing (uses)	--	( 36,315)	( 36,315)	--
Net changes in fund balance	( 56,300)	( 153,871)	( 153,871)	--
Fund balance - beginning of year	( 727,721)	( 727,721)	( 727,721)	--
Fund balance - end of year	\$( <u>784,021</u> )	\$( <u>881,592</u> )	\$( <u>881,592</u> )	\$ <u>    --</u>

WALKER COUNTY, GEORGIA  
 DEFINED BENEFIT PENSION PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS - RETIREMENT PLAN  
 September 30, 2006

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)
01/01/97	\$1,658,778	\$2,329,076	\$670,298	71.2%	\$4,483,955	14.9%
01/01/98	1,742,773	2,433,323	690,550	71.6%	4,647,077	14.9%
01/01/99	2,309,409	2,902,921	593,512	79.6%	5,042,778	11.8%
01/01/00	2,867,526	3,553,479	685,953	80.7%	5,028,457	13.6%
01/01/01	3,325,964	3,975,028	649,064	83.7%	4,794,350	13.5%
01/01/02	3,486,682	4,059,602	572,920	85.9%	5,691,074	10.1%
01/01/03	3,952,757	4,232,747	279,990	93.4%	6,198,617	4.5%
01/01/04	4,663,473	5,258,586	595,113	88.7%	7,045,250	8.4%
01/01/05	5,472,256	6,041,225	568,969	90.6%	7,394,886	7.7%
01/01/06	5,999,645	6,528,556	528,911	91.9%	7,426,230	7.1%

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

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

WALKER COUNTY, GEORGIA  
 DEFINED BENEFIT PENSION PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS - RETIREMENT PLAN  
 September 30, 2006

<u>Plan Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
01/01/97	\$340,351	\$414,841	121.9%
01/01/98	393,430	418,901	106.5
01/01/99	440,693	532,518	120.8
01/01/00	448,758	469,203	104.6
01/01/01	522,290	560,921	107.4
01/01/02	475,741	551,981	116.3
01/01/03	548,884	549,758	100.0
01/01/04	650,888	650,888	100.0
01/01/05	771,765	771,765	100.0
01/01/06	884,590	884,590	100.0

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

Additional information as of the latest actuarial valuation follows:

Valuation date	1/1/2006
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%

WALKER COUNTY, GEORGIA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2006

NOTE A - BUDGETARY BASIS OF ACCOUNTING

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

**SUPPLEMENTARY INFORMATION**

WALKER COUNTY, GEORGIA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2006

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 95,115	\$ --	\$ 95,115
Accounts receivable	63,869	--	63,869
Due from other funds	246,745	--	246,745
Due from other governments	<u>426,538</u>	<u>--</u>	<u>426,538</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>832,267</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>832,267</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 40,750	\$ --	\$ 40,750
Due to other funds	461,055	--	461,055
Due to other governments	113,471	--	113,471
Deferred revenue	<u>31,611</u>	<u>--</u>	<u>31,611</u>
<b>TOTAL LIABILITIES</b>	<b><u>646,887</u></b>	<b><u>--</u></b>	<b><u>646,887</u></b>
<b>FUND BALANCES</b>			
Unreserved, reported in:			
Special revenue funds	185,380	--	185,380
Capital projects funds	<u>--</u>	<u>--</u>	<u>--</u>
<b>TOTAL FUND BALANCES</b>	<b><u>185,380</u></b>	<b><u>--</u></b>	<b><u>185,380</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ <u>832,267</u></b>	<b>\$ <u>--</u></b>	<b>\$ <u>832,267</u></b>

WALKER COUNTY, GEORGIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended September 30, 2006

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ 1,412,243	\$ 500,000	\$ 1,912,243
Charges for services	840,629	--	840,629
Fines and forfeitures	128,153	--	128,153
Investment income	1,130	--	1,130
Contributions and donations	33,171	--	33,171
Miscellaneous	<u>37,334</u>	<u>--</u>	<u>37,334</u>
Total	<u>2,452,660</u>	<u>500,000</u>	<u>2,952,660</u>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General government	75,380	--	75,380
Judicial	205,477	--	205,477
Public safety	1,562,529	--	1,562,529
Public works	497,494	--	497,494
Health and welfare	508,661	--	508,661
Housing and development	548,214	--	548,214
Capital outlay	<u>--</u>	<u>1,035,216</u>	<u>1,035,216</u>
Total	<u>3,397,755</u>	<u>1,035,216</u>	<u>4,432,971</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>( 945,095)</u>	<u>( 535,216)</u>	<u>( 1,480,311)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	985,484	535,216	1,520,700
Transfers out	<u>( 24,902)</u>	<u>--</u>	<u>( 24,902)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>960,582</u>	<u>535,216</u>	<u>1,495,798</u>
<b>NET CHANGES IN FUND BALANCE</b>	15,487	--	15,487
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>169,893</u>	<u>--</u>	<u>169,893</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 185,380</u>	<u>\$ --</u>	<u>\$ 185,380</u>

WALKER COUNTY, GEORGIA  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 September 30, 2006

ASSETS	911	Law Library	Court Supervision	HEAT Program	Connection	Forfeiture	Multiple Grant	Lookout Mtn. Drug Task Force	Food Pantry	Transportation	Total
Cash	\$ --	\$ 35,100	\$ 55,695	\$ --	\$ 1,000	\$ --	\$ --	\$ --	\$ 3,320	\$ --	\$ 95,115
Accounts receivable Due from other funds	63,153	--	--	--	--	--	--	--	--	716	63,869
Due from other governments	--	--	--	11,314	4,084	68,270	49,606	113,471	--	--	246,745
TOTAL ASSETS	<u>\$ 63,153</u>	<u>\$ 35,100</u>	<u>\$ 55,695</u>	<u>\$ 11,314</u>	<u>\$ 15,810</u>	<u>\$ 68,270</u>	<u>\$ 407,601</u>	<u>\$ 113,471</u>	<u>\$ 3,320</u>	<u>\$ 58,533</u>	<u>\$ 832,267</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 40,750	\$ --	\$ --	\$ --	\$ 40,750
Due to other funds	63,153	--	15,403	--	--	--	323,966	--	--	58,533	461,055
Due to other governments	--	--	--	--	--	--	--	113,471	--	--	113,471
Deferred revenue	--	--	--	--	--	--	31,611	--	--	--	31,611
TOTAL LIABILITIES	<u>63,153</u>	<u>--</u>	<u>15,403</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>396,327</u>	<u>113,471</u>	<u>--</u>	<u>58,533</u>	<u>646,887</u>
Unreserved, reported in: Special revenue funds	--	35,100	40,292	11,314	15,810	68,270	11,274	--	3,320	--	185,380
TOTAL FUND BALANCES	<u>--</u>	<u>35,100</u>	<u>40,292</u>	<u>11,314</u>	<u>15,810</u>	<u>68,270</u>	<u>11,274</u>	<u>--</u>	<u>3,320</u>	<u>--</u>	<u>185,380</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 63,153</u>	<u>\$ 35,100</u>	<u>\$ 55,695</u>	<u>\$ 11,314</u>	<u>\$ 15,810</u>	<u>\$ 68,270</u>	<u>\$ 407,601</u>	<u>\$ 113,471</u>	<u>\$ 3,320</u>	<u>\$ 58,533</u>	<u>\$ 832,267</u>



WALKER COUNTY, GEORGIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended September 30, 2006

	911	Law Library	Court Supervision	HEAT Program	Connection	Forfeiture	Multiple Grant	Lookout Mtn. Drug Task Force	Food Pantry	Trans- portation	Total
REVENUES											
Intergovernmental	\$ --	\$ --	\$ --	\$ --	\$ 34,594	\$ --	\$ 930,563	\$ 231,500	\$ 11,412	\$ 204,174	\$ 1,412,243
Charges for services	785,506	--	--	--	--	--	--	--	--	55,123	840,629
Fines and forfeitures	--	31,633	9,555	--	--	12,828	--	74,137	--	--	128,153
Investment income	--	535	464	--	--	--	--	131	--	--	1,130
Contributions and donations	--	--	--	15,149	--	--	--	--	18,022	--	33,171
Miscellaneous	--	--	--	--	--	37,334	--	--	--	--	37,334
TOTAL	785,506	32,168	10,019	15,149	34,594	50,162	930,563	305,768	29,434	259,297	2,452,660
EXPENDITURES											
CURRENT											
General government	--	--	--	--	--	--	75,380	--	--	--	75,380
Judicial	--	20,382	11,908	--	--	21,159	152,028	--	--	--	205,477
Public safety	865,527	--	--	4,805	--	--	408,012	284,185	--	--	1,562,529
Public works	--	--	--	--	--	--	497,494	--	--	--	497,494
Health and welfare	--	--	--	--	--	--	--	--	26,430	414,195	508,661
Housing and development	--	--	--	--	--	--	--	--	--	--	--
Total	865,527	20,382	11,908	4,805	68,036	21,159	1,681,128	284,185	26,430	414,195	3,397,755
Excess (deficiency) of revenues over expenditures	( 80,021)	11,786	( 1,889)	10,344	(33,442)	29,003	(750,565)	21,583	3,004	(154,898)	( 945,095)
Other financing sources (uses)	80,021	--	--	--	--	--	750,565	--	--	154,898	985,484
Transfers in	--	--	--	--	--	--	--	( 24,902)	--	--	( 24,902)
Transfers out	--	--	--	--	--	--	--	--	--	--	--
Total other financing sources (uses)	80,021	--	--	--	--	--	750,565	( 24,902)	--	154,898	960,582
Net changes in fund balance	--	11,786	( 1,889)	10,344	(33,442)	29,003	--	( 3,319)	3,004	--	15,487
Fund balances - beginning of year	--	23,314	42,181	970	49,252	39,267	11,274	3,319	316	--	169,893
Fund balance - end of year	\$ --	\$ 35,100	\$ 40,292	\$ 11,314	\$ 15,810	\$ 68,270	\$ 11,274	\$ --	\$ 3,320	\$ --	\$ 185,380

WALKER COUNTY, GEORGIA  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUND  
September 30, 2006

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

WALKER COUNTY, GEORGIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE  
 NONMAJOR CAPITAL PROJECTS FUND  
 For the Year Ended September 30, 2006

	<u>Lakeview Area Sewer Project</u>
REVENUES	
Intergovernmental	\$ <u>500,000</u>
Total	<u>500,000</u>
EXPENDITURES	
Capital outlay	<u>1,035,216</u>
Total	<u>1,035,216</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	( <u>535,216</u> )
OTHER FINANCING SOURCES	
Transfers in	<u>535,216</u>
TOTAL OTHER FINANCING SOURCES	<u>535,216</u>
NET CHANGES IN FUND BALANCE	--
Fund balance - beginning of year	<u>    --</u>
Fund balance - end of year	\$ <u>    --</u>

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

For the Year Ended September 30, 2006

	<u>Tax Commissioner</u>	<u>Clerk of Courts</u>	<u>Probate Judge</u>	<u>Magistrate Judge</u>	<u>SPLOST 2</u>	<u>Total</u>
ASSETS						
Cash	\$ 780,435	\$ 646,892	\$ 21,215	\$ 13,593	\$ 156,153	\$ 1,618,288
TOTAL ASSETS	<u>780,435</u>	<u>646,892</u>	<u>21,215</u>	<u>13,593</u>	<u>156,153</u>	<u>1,618,288</u>
LIABILITIES						
Accounts payable	177	9,287	---	9,568	---	19,032
Due to other governments	780,258	127,133	525	4,025	156,153	1,068,094
Due to heirs, litigants, and others	---	510,472	20,690	---	---	531,162
TOTAL LIABILITIES	<u>780,435</u>	<u>646,892</u>	<u>21,215</u>	<u>13,593</u>	<u>156,153</u>	<u>1,618,288</u>
NET ASSETS	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>

WALKER COUNTY, GEORGIA  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS

For the Year Ended September 30, 2006

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 1,426,393	\$36,726,262	\$36,534,367	\$ 1,618,288
Total Assets	<u>1,426,393</u>	<u>36,726,262</u>	<u>36,534,367</u>	<u>1,618,288</u>
LIABILITIES				
Accounts payable	199	1,697,546	1,678,713	19,032
Due to other governments	1,095,939	27,206,575	27,234,420	1,068,094
Due to heirs, litigants, and others	<u>330,255</u>	<u>2,135,236</u>	<u>1,934,329</u>	<u>531,162</u>
Total liabilities	<u>1,426,393</u>	<u>31,039,357</u>	<u>30,847,462</u>	<u>1,618,288</u>
Net Assets	<u>\$ ---</u>	<u>\$ 5,686,905</u>	<u>\$ 5,686,905</u>	<u>\$ ---</u>

WALKER COUNTY, GEORGIA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TAX COMMISSIONER

For the Year Ended September 30, 2006

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 552,517	\$31,475,943	\$31,248,025	\$ 780,435
Total Assets	<u>552,517</u>	<u>31,475,943</u>	<u>31,248,025</u>	<u>780,435</u>
LIABILITIES				
Accounts payable	199	2,388	2,410	177
Due to other governments	<u>552,318</u>	<u>25,984,644</u>	<u>25,756,704</u>	<u>780,258</u>
Total Liabilities	<u>552,517</u>	<u>25,987,032</u>	<u>25,759,114</u>	<u>780,435</u>
NET ASSETS	<u>---</u>	<u>\$ 5,488,911</u>	<u>\$ 5,488,911</u>	<u>---</u>

WALKER COUNTY, GEORGIA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
CLERK OF COURTS

For the Year Ended September 30, 2006

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 439,515	\$ 4,839,394	\$ 4,632,017	\$ 646,892
Total assets	<u>439,515</u>	<u>4,839,394</u>	<u>4,632,017</u>	<u>646,892</u>
LIABILITIES				
Accounts payable	---	1,548,277	1,538,990	9,287
Due to other governments	139,541	1,161,947	1,174,355	127,133
Due to heirs, litigants, and others	<u>299,974</u>	<u>2,129,170</u>	<u>1,918,672</u>	<u>510,472</u>
Total liabilities	<u>439,515</u>	<u>4,839,394</u>	<u>4,632,017</u>	<u>646,892</u>
NET ASSETS	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
	\$	\$	\$	\$

WALKER COUNTY, GEORGIA  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 PROBATE JUDGE

For the Year Ended September 30, 2006

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 31,466	\$ 79,432	\$ 89,683	\$ 21,215
Total assets	<u>31,466</u>	<u>79,432</u>	<u>89,683</u>	<u>21,215</u>
LIABILITIES				
Due to other governments	1,185	9,855	10,515	525
Due to heirs, litigants, and others	<u>30,281</u>	<u>6,066</u>	<u>15,657</u>	<u>20,690</u>
Total liabilities	<u>31,466</u>	<u>15,921</u>	<u>26,172</u>	<u>21,215</u>
NET ASSETS	<u>---</u>	<u>\$ 63,511</u>	<u>\$ 63,511</u>	<u>---</u>



WALKER COUNTY, GEORGIA  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 MAGISTRATE JUDGE

For the Year Ended September 30, 2006

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 9,606	\$ 329,604	\$ 325,617	\$ 13,593
Total assets	<u>9,606</u>	<u>329,604</u>	<u>325,617</u>	<u>13,593</u>
LIABILITIES				
Accounts payable	--	146,881	137,313	9,568
Due to other governments	<u>9,606</u>	<u>48,240</u>	<u>53,821</u>	<u>4,025</u>
Total liabilities	<u>9,606</u>	<u>195,121</u>	<u>191,134</u>	<u>13,593</u>
NET ASSETS	<u>--</u>	<u>\$ 134,483</u>	<u>\$ 134,483</u>	<u>--</u>

WALKER COUNTY, GEORGIA  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 SPLOST 2

For the Year Ended September 30, 2006

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS				
Cash	\$ 393,289	\$ 1,889	\$ 239,025	\$ 156,153
Total assets	<u>393,289</u>	<u>1,889</u>	<u>239,025</u>	<u>156,153</u>
LIABILITIES				
Due to other governments	<u>393,289</u>	<u>1,889</u>	<u>239,025</u>	<u>156,153</u>
Total liabilities	<u>393,289</u>	<u>1,889</u>	<u>239,025</u>	<u>156,153</u>
NET ASSETS	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>



B. J. Walker, Commissioner

Georgia Department of Human Resources Office of Audits • Robert B. Dorr, Director  
2 Peachtree Street, NW • Suite 26.425 • Atlanta, Georgia 30303-3142 • 404-656-9290 • FAX 404-651-5091

Honorable Bebe Heiskell, Commissioner  
Walker County Board of Commissioners  
101 South Duke Street  
Lafayette, GA 30728-3601

DHR Contract Nos.: 93-07070347-99  
93-06060529-99

Dear Commissioner Heiskell:

We have reviewed a copy of the audit report covering fiscal year ended September 30, 2006 which was prepared by Burk, Pearlman, Nebben, & Huggins, PLLC, Certified Public Accountants.

**ITEM(S) WHICH NEED TO BE CORRECTED OR SUMITTED**

In order for your audit to be accepted, please reconcile the following revenue variance(s) disclosed by our review and submit the following items:

<u>Contract No.</u>	<u>Amount per DHR</u>	<u>Amount per Audit</u>	<u>Difference</u>
93-06060529-99	\$50,000.00	Not found in audit report	\$50,000.00

Please include a *Schedule of State Awards Expended* arranged by state program name and contract number which reflects revenues, expenditures or expenses and amounts owed to or due from each state organization. Amounts listed for each program should include federal funds which pass through state organizations to the nonprofit contractor.

Please also note that, per paragraph 402 of your contract with DHR, two (2) copies of the annual audit report shall be forwarded to the DHR Office of Audits within 180 days of the conclusion of your fiscal year. As only one (1) copy was received by our office on April 2, 2007, please forward another copy of the audit report for fiscal year ended September 30, 2006.

Please fax your response to Bill Yeakey, DHR Office of Audits at (404) 651-5091 within fifteen (15) days of receipt of this facsimile. If you have any questions or concerns, please feel free to contact Bill Yeakey at (404) 656-9282 or by e-mail at [byeakey@dhr.state.ga.us](mailto:byeakey@dhr.state.ga.us). Your assistance with the audit process is appreciated.

Sincerely,  
Bill Yeakey

WALKER COUNTY, GEORGIA  
 STATEMENT OF EXPENDITURES TO BUDGET  
 FAMILY CONNECTION PROGRAM  
 CONTRACT 06060529-99

CONTRACT PERIOD: JULY 1, 2005 - JUNE 30, 2006

<u>Expenditure Type</u>	Family Connection <u>Budget</u>	Contract <u>Expenditures</u>	(Over)/Under <u>Budget</u>
Personal services	\$ --	\$ --	\$ --
Regular operating	3,502	2,817	685
Travel - staff	--	--	--
Equipment	--	--	--
Per diem, fees, and contracts	45,448	45,183	265
Telecommunications	1,050	1,243	( 193)
Other support to customers	<u>--</u>	<u>--</u>	<u>--</u>
Total	\$ <u>50,000</u>	\$ <u>49,243</u>	\$ <u>757</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 E911  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 935,000	\$ 785,506	\$ 785,506	\$ ---
Total Revenues	<u>935,000</u>	<u>785,506</u>	<u>785,506</u>	<u>---</u>
EXPENDITURES				
Current				
Public safety	<u>935,000</u>	<u>865,527</u>	<u>865,527</u>	<u>---</u>
Total Expenditures	<u>935,000</u>	<u>865,527</u>	<u>865,527</u>	<u>---</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>---</u>	<u>( 80,021)</u>	<u>( 80,021)</u>	<u>---</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>---</u>	<u>80,021</u>	<u>80,021</u>	<u>---</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>---</u>	<u>80,021</u>	<u>80,021</u>	<u>---</u>
NET CHANGES IN FUND BALANCE	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
FUND BALANCES - BEGINNING OF YEAR	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 LAW LIBRARY  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 50,000	\$ 31,633	\$ 31,633	\$ --
Investment income	<u>    --</u>	<u>    535</u>	<u>    535</u>	<u>    --</u>
Total Revenues	<u>50,000</u>	<u>32,168</u>	<u>32,168</u>	<u>    --</u>
EXPENDITURES				
Current				
Judicial	<u>50,000</u>	<u>20,382</u>	<u>20,382</u>	<u>    --</u>
Total Expenditures	<u>50,000</u>	<u>20,382</u>	<u>20,382</u>	<u>    --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>    --</u>	<u>11,786</u>	<u>11,786</u>	<u>    --</u>
NET CHANGES IN FUND BALANCE	--	11,786	11,786	--
FUND BALANCES - BEGINNING OF YEAR	<u>23,314</u>	<u>23,314</u>	<u>23,314</u>	<u>    --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 23,314</u>	<u>\$ 35,100</u>	<u>\$ 35,100</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 COURT SUPERVISION  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 10,000	\$ 9,555	\$ 9,555	\$ --
Investment income	<u>    --</u>	<u>    464</u>	<u>    464</u>	<u>    --</u>
Total Revenues	<u>10,000</u>	<u>10,019</u>	<u>10,019</u>	<u>    --</u>
EXPENDITURES				
Current				
Judicial	<u>10,000</u>	<u>11,908</u>	<u>11,908</u>	<u>    --</u>
Total Expenditures	<u>10,000</u>	<u>11,908</u>	<u>11,908</u>	<u>    --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>    --</u>	<u>( 1,889)</u>	<u>( 1,889)</u>	<u>    --</u>
NET CHANGES IN FUND BALANCE	--	( 1,889)	( 1,889)	--
FUND BALANCES - BEGINNING OF YEAR	<u>42,181</u>	<u>42,181</u>	<u>42,181</u>	<u>    --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 42,181</u>	<u>\$ 40,292</u>	<u>\$ 40,292</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 HEAT Program  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions and donations	\$ --	\$ 15,149	\$ 15,149	\$ --
Total Revenues	<u>    --</u>	<u>  15,149</u>	<u>  15,149</u>	<u>    --</u>
EXPENDITURES				
Current				
Public safety	<u>    --</u>	<u>  4,805</u>	<u>  4,805</u>	<u>    --</u>
Total Expenditures	<u>    --</u>	<u>  4,805</u>	<u>  4,805</u>	<u>    --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>    --</u>	<u>  10,344</u>	<u>  10,344</u>	<u>    --</u>
NET CHANGES IN FUND BALANCE	--	10,344	10,344	--
FUND BALANCES - BEGINNING OF YEAR	<u>    --</u>	<u>      970</u>	<u>      970</u>	<u>    --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$    --</u>	<u>\$  11,314</u>	<u>\$  11,314</u>	<u>\$    --</u>



WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 CONNECTION  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 50,000	\$ 34,594	\$ 34,594	\$ --
Total Revenues	<u>50,000</u>	<u>34,594</u>	<u>34,594</u>	<u>--</u>
EXPENDITURES				
Current				
Health and welfare	<u>50,000</u>	<u>68,036</u>	<u>68,036</u>	<u>--</u>
Total Expenditures	<u>50,000</u>	<u>68,036</u>	<u>68,036</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>--</u>	<u>( 33,442)</u>	<u>( 33,442)</u>	<u>--</u>
NET CHANGES IN FUND BALANCE	--	( 33,442)	( 33,442)	--
FUND BALANCES - BEGINNING OF YEAR	<u>49,252</u>	<u>49,252</u>	<u>49,252</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 49,252</u>	<u>\$ 15,810</u>	<u>\$ 15,810</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 FORFEITURE  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Fines and forfeitures	\$     --	\$ 12,828	\$ 12,828	\$     --
Miscellaneous	<u>          --</u>	<u>37,334</u>	<u>37,334</u>	<u>          --</u>
Total Revenues	<u>          --</u>	<u>50,162</u>	<u>50,162</u>	<u>          --</u>
EXPENDITURES				
Current				
Judicial	<u>          --</u>	<u>21,159</u>	<u>21,159</u>	<u>          --</u>
Total Expenditures	<u>          --</u>	<u>21,159</u>	<u>21,159</u>	<u>          --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>          --</u>	<u>29,003</u>	<u>29,003</u>	<u>          --</u>
NET CHANGES IN FUND BALANCE	--	29,003	29,003	--
FUND BALANCES - BEGINNING OF YEAR	<u>39,267</u>	<u>39,267</u>	<u>39,267</u>	<u>          --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 39,267</u>	<u>\$ 68,270</u>	<u>\$ 68,270</u>	<u>\$           --</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 MULTIPLE GRANT  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 352,900	\$ 930,563	\$ 930,563	\$ --
Total Revenues	<u>352,900</u>	<u>930,563</u>	<u>930,563</u>	<u>--</u>
EXPENDITURES				
Current				
General government	352,900	75,380	75,380	--
Judicial	--	152,028	152,028	--
Public safety	--	408,012	408,012	--
Public works	--	497,494	497,494	--
Housing and development	<u>--</u>	<u>548,214</u>	<u>548,214</u>	<u>--</u>
Total Expenditures	<u>352,900</u>	<u>1,681,128</u>	<u>1,681,128</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>--</u>	<u>( 750,565)</u>	<u>( 750,565)</u>	<u>--</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>--</u>	<u>750,565</u>	<u>750,565</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>750,565</u>	<u>750,565</u>	<u>--</u>
NET CHANGES IN FUND BALANCE	--	--	--	--
FUND BALANCES - BEGINNING OF YEAR	<u>11,274</u>	<u>11,274</u>	<u>11,274</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 11,274</u>	<u>\$ 11,274</u>	<u>\$ 11,274</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 LOOKOUT MTN. DRUG TASK FORCE  
 For the Year Ended September 30, 2006

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
REVENUES				
Intergovernmental	\$ 308,600	\$ 231,500	\$ 231,500	\$ --
Fines and forfeitures	--	74,137	74,137	--
Investment income	--	131	131	--
	<u>308,600</u>	<u>305,768</u>	<u>305,768</u>	<u>--</u>
Total Revenues				
EXPENDITURES				
Current				
Public safety	308,600	284,185	284,185	--
	<u>308,600</u>	<u>284,185</u>	<u>284,185</u>	<u>--</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>--</u>	<u>21,583</u>	<u>21,583</u>	<u>--</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	--	( 24,902)	( 24,902)	--
	<u>--</u>	<u>( 24,902)</u>	<u>( 24,902)</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)				
	<u>--</u>	<u>( 24,902)</u>	<u>( 24,902)</u>	<u>--</u>
NET CHANGES IN FUND BALANCE	--	( 3,319)	( 3,319)	--
FUND BALANCES - BEGINNING OF YEAR	<u>3,319</u>	<u>3,319</u>	<u>3,319</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	<u>\$ 3,319</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 FOOD PANTRY  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$     --	\$ 11,412	\$ 11,412	\$     --
Contributions and donations	<u>          --</u>	<u>18,022</u>	<u>18,022</u>	<u>          --</u>
Total Revenues	<u>          --</u>	<u>29,434</u>	<u>29,434</u>	<u>          --</u>
EXPENDITURES				
Current				
Health and welfare	<u>          --</u>	<u>26,430</u>	<u>26,430</u>	<u>          --</u>
Total Expenditures	<u>          --</u>	<u>26,430</u>	<u>26,430</u>	<u>          --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>          --</u>	<u>3,004</u>	<u>3,004</u>	<u>          --</u>
NET CHANGES IN FUND BALANCE	--	3,004	3,004	--
FUND BALANCES - BEGINNING OF YEAR	<u>316</u>	<u>316</u>	<u>316</u>	<u>          --</u>
FUND BALANCES - ENDING OF YEAR	\$ <u><u>316</u></u>	\$ <u><u>3,320</u></u>	\$ <u><u>3,320</u></u>	\$ <u><u>          --</u></u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 TRANSPORTATION  
 For the Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 249,486	\$ 204,174	\$ 204,174	\$ --
Charges for services	<u>73,615</u>	<u>55,123</u>	<u>55,123</u>	<u>--</u>
Total Revenues	<u>323,101</u>	<u>259,297</u>	<u>259,297</u>	<u>--</u>
EXPENDITURES				
Current				
Health and welfare	<u>572,586</u>	<u>414,195</u>	<u>414,195</u>	<u>--</u>
Total Expenditures	<u>572,586</u>	<u>414,195</u>	<u>414,195</u>	<u>--</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	( <u>249,485</u> )	( <u>154,898</u> )	( <u>154,898</u> )	<u>--</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>249,485</u>	<u>154,898</u>	<u>154,898</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>249,485</u>	<u>154,898</u>	<u>154,898</u>	<u>--</u>
NET CHANGES IN FUND BALANCE	--	--	--	--
FUND BALANCES - BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES - ENDING OF YEAR	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>	\$ <u><u>--</u></u>

WALKER COUNTY, GEORGIA  
 BUDGETARY COMPARISON SCHEDULE  
 LAKEVIEW AREA SEWER PROJECT  
 For the Year Ended December 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ <u>500,000</u>	\$ <u>500,000</u>	\$ <u>500,000</u>	\$ <u>    --</u>
Total Revenues	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>    --</u>
EXPENDITURES				
Capital outlay	<u>500,000</u>	<u>1,035,216</u>	<u>1,035,216</u>	<u>    --</u>
Total Expenditures	<u>500,000</u>	<u>1,035,216</u>	<u>1,035,216</u>	<u>    --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>    --</u>	<u>( 535,216)</u>	<u>( 535,216)</u>	<u>    --</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>    --</u>	<u>535,216</u>	<u>535,216</u>	<u>    --</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>    --</u>	<u>535,216</u>	<u>535,216</u>	<u>    --</u>
NET CHANGES IN FUND BALANCE	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
FUND BALANCES - BEGINNING OF YEAR	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    --</u>
FUND BALANCES - ENDING OF YEAR	<u>\$    --</u>	<u>\$    --</u>	<u>\$    --</u>	<u>\$    --</u>

**COMPLIANCE**



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

Commissioner  
Walker County, Georgia  
LaFayette, Georgia 30728

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2006, which except for the component unit audited by other auditors, collectively comprise the Walker County, Georgia's basic financial statements and have issued our report thereon dated January 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walker County, Georgia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Walker County, Georgia's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-4 through 06-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce

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

Commissioner  
Walker County, Georgia  
LaFayette, Georgia 30728

Compliance

We have audited the compliance of Walker County, Georgia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Walker County, Georgia'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, Georgia's management. Our responsibility is to express an opinion on Walker County, Georgia's compliance based on our audit.

Walker County, Georgia's, basic financial statements include the operations of the Walker County Health Department component unit which received \$150,000 in federal awards which is not included in the schedule during the year ended June 30, 2006. 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, Georgia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Walker County, Georgia's compliance with those requirements.

In our opinion, Walker County, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

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

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

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

*Burt, Pappas, Nelson, Huggins, PLLC*

Chattanooga, Tennessee  
January 5, 2007

WALKER COUNTY, GEORGIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2006

<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 HOUSING AND URBAN DEVELOPMENT Passed through Georgia Department of Community Affairs Community Development Block Grant	14.228	04P-Y-146-1-2950	\$ <u>500,000</u>
U. S. DEPARTMENT OF JUSTICE Direct Award Bureau of Justice Assistance Multi-Jurisdictional Task Force	16.579		165,362
Passed through State Council of Juvenile Court Judges Purchase of services for Juvenile Offenders Program	16.523	03B-CM-0003 03B-ST-0003 04B-ST-0001	9,076
Passed through Children and Youth Coordinating Council Title V Delinquency Prevention Program	16.548	04P-07-0004	19,453
Passed through State Criminal Justice Coordinating Council Victims of Crime Act (VOCA)	16.575	C08-16-575	<u>84,737</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>278,628</u>
U. S. DEPARTMENT OF TRANSPORTATION Passed through State Department of Transportation Transit Operating Assistance	20.509	GA-18-9024 GA-18-9025	<u>204,174</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY Passed through Georgia Department of Natural Resources Erosion and Sedimentation Control Enforcement Program	66.460	751-50029	41,629
Passed through Georgia Emergency Management Agency Performance Partnership Agreement	66.605	EO6-8-149	<u>2,880</u>
TOTAL U. S. ENVIRONMENTAL PROTECTION AGENCY			<u>44,509</u>
U.S. DEPARTMENT OF HUMAN SERVICES Passed through Georgia Secretary of State Election Access to People with Disabilities	93.617	478c0505-0136(146)	<u>1,408</u>
U.S. DEPARTMENT OF HOMELAND SECURITY Direct Award Assistance to Firefighters Grant	97.044	EMW-2005-FG-01253	<u>372,184</u>
TOTAL FEDERAL ASSISTANCE			<u>\$1,400,903</u>

WALKER COUNTY, GEORGIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2006

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

Subrecipient

The County did not provide Federal assistance to any subrecipient.

WALKER COUNTY, GEORGIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

- 04-2 Previously reported corrective action plan implemented. The finding is closed.
- 04-4 The County has failed to implement the corrective action plan. A policy is being developed to keep adequate records of cash to secure balances.
- 04-5 The County has failed to implement the corrective action plan. A policy is being developed to reconcile cash disbursements to cash receipts.
- 04-6 The County has failed to implement the corrective action plan. The County is in the process of establishing procedures for a grant coordinator.
- 04-7 The County has failed to implement the corrective action plan. An employee information change form has been developed but not placed in service.
- 05-1 The County has failed to implement the corrective action plan. Procedures to ensure timely cash deposits have not been placed in service.

WALKER COUNTY, GEORGIA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

*FINANCIAL STATEMENTS*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

*FEDERAL AWARDS*

Internal control over major programs:

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

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

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

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
14.228	U.S. Department of Housing and Urban Community Development Block Grant
97.044	U.S. Department of Homeland Security Assistance to Firefighters Grant

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

Auditee qualified as low-risk auditee?  Yes  No

WALKER COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 04-4:

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

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

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

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

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

*Planned corrective action:* Management's response is located on pages 89-92.

Finding 04-5:

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

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

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

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

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

*Planned corrective action:* Management's response is located on pages 89-92.

Finding 04-6:

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

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

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



WALKER COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006  
(Continued)

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

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

*Planned corrective action:* Management's response is located on pages 89-92.

Finding 04-7:

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

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

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

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

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

*Planned corrective action:* Management's response is located on pages 89-92.

Finding 05-1:

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

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

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

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

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

*Planned corrective action:* Management's response is located on pages 89-92.

WALKER COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006  
(Continued)

Finding 06-1:

*Condition:* There is no offsite storage of computer backups and monthly backups are not being made for several offices in the County. Also, all offices are not periodically tested.

*Criteria:* Procedures should be in place to ensure County offices are making monthly backups, testing them periodically and storing the backups at an offsite location.

*Effect:* Failure to make the backups and test them could leave the County without necessary computer records for operations in the event of a computer system failure.

*Recommendation:* Procedures should be implemented to require that each office of the County maintains a computer system backup at all times. These procedures should also include a County policy on offsite storage and backup testing requirements.

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

*Planned corrective action:* Management's response is located on pages 89-92.

Finding 06-2:

*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. Additionally, applications and written authority from supervisors are not always required to add individuals to the payroll. The condition was a prior year finding.

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

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

*Recommendation:* Internal control procedures must be implemented to provide reasonable assurance that employee personnel files are maintained on all County employees. 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. Before the disbursement of an employee's payroll check, all required forms and supporting documentations should be obtained for this employee.

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

*Planned corrective action:* Management's response is located on pages 89-92.

WALKER COUNTY, GEORGIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2006  
(Continued)

Finding 06-3:

*Condition:* The County has taken no legal action in an effort to collect delinquent receivables in the landfill fund.

*Criteria:* Procedures should be in place to facilitate collection of past due account receivable.

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

*Recommendation:* Procedures should be implemented to take legal action against customers with past due accounts.

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

*Planned corrective action:* Management's response is located on pages 89-92.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WALKER COUNTY, GEORGIA  
 SCHEDULE OF PROJECTS CONSTRUCTED WITH  
 SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS  
 ADOPTED APRIL 24, 2003  
 For the Year Ended September 30, 2006

Project	Original Estimated Cost	Prior Years	Expenditures			Estimated Percentage Of Completion
			Adjustments	Current Year	Total	
Water and sewer projects	\$ 5,000,000	\$ 460,056	\$ 50,131	\$ 1,226,297	\$ 1,736,484	35%
Fire hydrants	500,000	--	375,920	56,343	432,263	86
Emergency services	4,500,000	3,827,232	( 375,864)	191,763	3,643,131	81
Technology	500,000	459,161	(69)	125,692	584,784	100
Animal shelter	300,000	149,556	--	425,992	575,548	100
Historical projects	200,000	317,492	270	1,570	319,332	100
Recreation	500,000	61,644	--	14,276	75,920	15
Roads, bridges, and road department equipment	4,875,000	2,734,413	--	1,843,285	4,577,698	94
Building construction and improvements	250,000	506,483	( 200)	--	506,283	100
Industrial park improvements	4,000,000	--	--	428,310	428,310	11
Total for all projects	\$20,625,000	\$ 8,516,037	\$ 50,188	\$ 4,313,528	\$12,879,753	

The adjustment column is a result of the following: Management evaluated the classification of certain prior year expenditures and determined that they were allocated to the incorrect project. In fiscal year 2005, a transfer to the Lakeview Sewer fund for the County's matching portion of this construction project was omitted from the schedule.

*Bebe Heiskell*  
*Walker County Commissioner*

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

March 31, 2007

Georgia Department of Audits & Accounts  
Local Government Audit Section  
270 Washington Street, S.W., Room 1-156  
Atlanta, Georgia 30334-8400

Walker County, Georgia submits the following plan for corrective action regarding reportable conditions associated with our internal controls and compliance for the year ended September 30, 2006

The "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" issued by Burk, Pearlman, Nebben & Huggins, PLLC, on January 5, 2007, referenced instances of noncompliance and reportable conditions. The corrective action taken on these items is as follows:

Finding 04-4  
CLERK OF COURT OFFICE ACCOUNT RECONCILIATION

Corrective Action Plan/Management Response

We concur with the recommendation. Superior court began reconciling from October 2004 forward. Cases/balances prior to October 2004 have not been reconciled. The Clerk states that he does not have the personnel to take on this task at the present time. The county does not feel that the benefit of a reconciled balance would outweigh the cost of a new employee.

State court has gone back and found what they believe to be all the outstanding cases. The State court judge has agreed to come to an agreement with the State Court Clerk to pay over all monies that appear to be held for an excessive length of time.

There is an ongoing process of moving the Clerks accounting to computer. This is being handled by the Clerks Authority and is moving slowly at present. It is hoped that once implemented, the system will have its own supplemental detail to support balances on the general ledger.

Finding 04-5

TAX COMMISSIONERS CONTROL OVER CASH DISBURSEMENTS

Corrective Action Plan/Management Response

We concur with the recommendation. The tax commissioner prepares a monthly spreadsheet accounting for total receipts and the disbursement of these funds to the appropriate recipient. The commissioner does not tie total receipts into receipts per the bank statement. She has agreed to work with the financial officer during fy 2007 at which time this problem will be addressed.

Finding 04-6

CENTRALIZED GRANT ACCOUNTING

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

Corrective Action Plan/Management Response

We partly concur with the recommendation. The finance director is obtaining copies of grant documents and is ensuring the proper accounting for the grants. Each department that is a recipient of a grant has personnel designated with report filing and compliance. It is not cost beneficial to have one person designated to handle all grant work. The number of grants involved does not warrant full time employment.

Finding 04-7

PAYROLL INFORMATION VERIFICATION

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

Corrective Action Plan/Management Response

We concur with the recommendation. The County Clerk currently verifies new employee information by use of a simple checklist. She has agreed to expand the current checklist to include all required employee documents as well as documentation pertaining to any changes to employee information. The Clerk is to sign off on the checklist and return to the payroll clerk for inclusion in the personnel file.

Finding 05-1

FAILURE TO DEPOSIT RECEIPTS TIMELY

Clerk of Court is not depositing receipts timely, checks from the probation office to the Clerks office are being held until the remittance advice is reconciled to the Clerks records.

Corrective Action Plan/Management Response

We concur with the recommendation. The Clerk of Court's office has been made aware of importance of depositing checks on receipt and the office is being encouraged to comply with audit suggestion. The Clerk changed bookkeepers recently who has agreed to deposited checks in a timely manner.

Finding 06-1

**NO OFFSITE STORAGE OF COMPUTER BACKUPS AND FAILURE TO MAKE BACKUPS**

There in not an offsite storage plan in place for computer backups. Also, some departments are failing to backup systems at least monthly.

Corrective Action Plan/Management Response

We concur with the recommendation. The county IT personnel will be designated to determine that backups are being made for every county department and that they will function properly. The department heads/elected officials will be responsible for insuring that the backups are secured offsite. The IT personnel will verify to the commissioner that backups are being performed. The department heads that report to the commissioner will be required to document their offsite storage plans. Elected officials will be requested to provide their plans to the commissioner's office.

Finding 06-2

**INSUFFICIENT DOCUMENTATION PERTAINING TO EMPLOYEE PERSONNEL FILES**

Various documents pertaining to payroll are missing from the files.

Corrective Action Plan/Management Response

We concur with the recommendation. The County Clerk currently verifies new employee information by use of a simple checklist. She has agreed to expand the current checklist to include all required employee documents as well as documentation pertaining to any changes to employee information. The Clerk is to sign off on the checklist and return to the payroll clerk for inclusion in the personnel file.

Find 06-3

**LACK OF LEGAL ACTION TO COLLECT DELINQUENT RECEIVABLES**

The County has failed to take any legal action in an effort to collect delinquent accounts receivable.

Corrective Action Plan/Management Response

Georgia Department of Audits & Accounts  
March 31, 2006

We concur with the recommendation. The County is to engage the services of a collection agency and turn delinquent accounts over for collection. All past due accounts in excess of 90 days for which prior arrangements for payment have not been made with the County will be turned over. All customers with balances turned over for collection will no longer be able to do business with the County on credit.

If you have any questions, please contact Greg McConnell, Finance Officer, at (706) 683-4137.

Sincerely,

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

Bebe A. Heiskell  
Walker County Commissioner