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WALKER COUNTY, GEORGIA

LaFayette, Georgia

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 1996

RECEIVED

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DEPT. OF AUDITS

BURK, HUGGINS & Co.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE

WALKER COUNTY, GEORGIA

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WALKER COUNTY, GEORGIA

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BURK, HUGGINS & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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Walker County, Georgia

We have audited the accompanying general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996. These general purpose financial statements are the responsibility of Walker County, Georgia management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 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 provides a reasonable basis for our opinion.

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

In our opinion, except for the effects on the financial statements of not capitalizing general fixed assets acquired prior to 1984 referred to in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Walker County, Georgia, as of September 30, 1996, and the results of its operations and the cash flows of its proprietary fund types for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 17, 1996 on our consideration of Walker County, Georgia's internal control structure and a report dated December 17, 1996 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Walker County, Georgia, taken as a whole. The combining and individual fund and account group financial statements and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Walker County, Georgia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

December 17, 1996

Burk, Huggins & Co

WALKER COUNTY, GEORGIA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1996

		GOVERNMENTAL FUND TYPE		
		GENERAL	DEBT SERVICE	CAPITAL PROJECTS
<u>A S S E T S</u>				
Cash and Cash Equivalents	<u>Note 2</u>	1,058,116		
Certificates of Deposit	<u>Note 2</u>	1,400,000		
Receivables -				
Taxes	<u>Note 4</u>			
Accounts		32,460		
Lease	<u>Note 5</u>		460,214	
Interest		15,890		
Due from Other Funds	<u>Note 6</u>	1,264,991		
Due from Other Governments	<u>Note 7</u>	1,999,437		
Prepaid Expenses		89,640		
Property, Plant and Equipment - Net	<u>Note 8</u>			
Restricted Assets -				
Cash and Cash Equivalents	<u>Note 2</u>	464,224		
Amount Available in Debt Service Fund				
Amount to be Provided for Payment of	<u>Note 9</u>			
Landfill Closure and				
Postclosure Care Costs				
<u>TOTAL ASSETS</u>		<u>6,324,758</u>	<u>460,214</u>	<u>-0-</u>

The accompanying notes are an integral part
 of these financial statements.

EXHIBIT A

<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>		<u>TOTALS MEMORANDUM ONLY</u>
		<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	
<u>ENTERPRISE</u>	<u>AGENCY</u>			
12,575	6,005,142			7,075,833
				1,400,000
	13,824,011			13,824,011
18,160				50,620
				460,214
				15,890
11,234				1,276,225
				1,999,437
				89,640
1,731,661		13,543,270		15,274,931
				464,224
			460,214	460,214
			<u>2,382,000</u>	<u>2,382,000</u>
<u>1,773,630</u>	<u>19,829,153</u>	<u>13,543,270</u>	<u>2,842,214</u>	<u>44,773,239</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 September 30, 1996

	GOVERNMENTAL FUND TYPE		
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS
<u>L I A B I L I T I E S</u>			
Vouchers Payable	433,381		
Accrued Liabilities	260,224		
Due to Other Funds	<u>Note 6</u>		
Due to Other Governments	<u>Note 10</u>		
Deferred Revenues			
Undistributed Taxes			
Notes Payable	<u>Note 11</u>		
Estimated Liability for Landfill Closure and Postclosure Care Costs	<u>Note 9</u>		
<u>Total Liabilities</u>	<u>693,605</u>	<u>-0-</u>	<u>-0-</u>
<u>Fund Equity -</u>			
Contributed Capital	<u>Note 13</u>		
Investment in General Fixed Assets			
Retained Earnings (Deficit) - Unreserved	<u>Note 14</u>		
Fund Balance - Reserved for Debt Service		460,214	
Fund Balance - Unreserved	<u>5,631,153</u>		
<u>Total Fund Equity</u>	<u>5,631,153</u>	<u>460,214</u>	<u>-0-</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>6,324,758</u>	<u>460,214</u>	<u>-0-</u>

The accompanying notes are an integral part
 of these financial statements.

EXHIBIT A

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS MEMORANDUM ONLY
		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
ENTERPRISE	AGENCY			
866	275,300			709,547
2,518				262,742
348,293	927,932			1,276,225
	7,357,051			7,357,051
170,200	10,968,467			11,138,667
	300,403			300,403
			460,214	460,214
			<u>2,382,000</u>	<u>2,382,000</u>
<u>521,877</u>	<u>19,829,153</u>	<u>-0-</u>	<u>2,842,214</u>	<u>23,886,849</u>
1,316,207		13,543,270		1,316,207
				13,543,270
(64,454)				(64,454)
				460,214
				<u>5,631,153</u>
<u>1,251,752</u>	<u>-0-</u>	<u>13,543,270</u>	<u>-0-</u>	<u>20,886,390</u>
<u>1,773,630</u>	<u>19,829,153</u>	<u>13,543,270</u>	<u>2,842,214</u>	<u>44,773,239</u>

The accompanying notes are an integral part
of these financial statements.

COMBINED STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended September 30, 1996

EXHIBIT B

	GOVERNMENTAL FUND TYPES			TOTALS MEMORANDUM ONLY
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	
<u>REVENUE -</u>				
Taxes	9,055,663		438,194	9,493,859
Licenses and Permits	35,591			35,591
Intergovernmental Revenue	1,873,890			1,873,890
Charges for Services	2,544,176			2,544,176
Fines and Forfeits	901,506			901,506
Interest Income	168,136	34,174		202,310
Miscellaneous Revenue	304,004			304,004
Total Revenue	<u>14,882,968</u>	<u>34,174</u>	<u>438,194</u>	<u>15,355,336</u>
<u>EXPENDITURES -</u>				
Current -				
General Government	4,485,662		2,089	4,487,751
Public Safety	4,329,284			4,329,284
Highways and Streets	3,143,502			3,143,502
Sanitation	830,029			830,029
Health	264,136			264,136
Welfare	78,552			78,552
Debt Service -				
Principal		41,441		41,441
Interest		34,174		34,174
Capital Outlay	<u>574,834</u>		<u>436,105</u>	<u>1,010,939</u>
Total Expenditures	<u>13,705,999</u>	<u>75,615</u>	<u>438,194</u>	<u>14,219,808</u>
<u>EXCESS OF REVENUES OVER</u> <u>(UNDER) EXPENDITURES</u>	1,176,969	(41,441)	-0-	1,135,528
<u>OTHER FINANCING SOURCES -</u>				
Principal Payments from Capital Lease		<u>41,441</u>		<u>41,441</u>
<u>EXCESS OF REVENUES AND OTHER</u> <u>SOURCES OVER EXPENDITURES</u>	1,176,969	-0-	-0-	1,176,969
<u>FUND BALANCE - UNRESERVED -</u> October 1, 1995	<u>4,454,184</u>	<u>-0-</u>	<u>-0-</u>	<u>4,454,184</u>
<u>FUND BALANCE - UNRESERVED -</u> September 30, 1996 - Exh A	<u>5,631,153</u>	<u>-0-</u>	<u>-0-</u>	<u>5,631,153</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUND TYPES

For the Fiscal Year Ended September 30, 1996

	GENERAL FUND	
	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUE -</u>		
Taxes	9,055,665	9,055,665
Licenses and Permits	35,591	35,591
Intergovernmental Revenue	1,873,890	1,873,890
Charges for Services	2,544,176	2,544,176
Fines and Forfeits	901,506	901,506
Interest Income	168,136	168,136
Miscellaneous Revenues	304,004	304,004
Total Revenue	<u>14,882,968</u>	<u>14,882,968</u>
<u>EXPENDITURES -</u>		
Current -		
General Government	4,485,662	4,485,662
Public Safety	4,329,284	4,329,284
Highways and Streets	3,143,502	3,143,502
Sanitation	830,029	830,029
Health	264,136	264,136
Welfare	78,552	78,552
Debt Service -		
Principal		
Interest		
Capital Outlay	<u>574,834</u>	<u>574,834</u>
Total Expenditures	<u>13,705,999</u>	<u>13,705,999</u>
<u>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>1,176,969</u>	<u>1,176,969</u>
<u>OTHER FINANCING SOURCES -</u>		
Principal Payments from Capital Lease		
<u>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</u>	<u>1,176,969</u>	<u>1,176,969</u>
<u>FUND BALANCES - UNRESERVED - October 1, 1995</u>	<u>4,454,184</u>	<u>4,454,184</u>
<u>FUND BALANCES - UNRESERVED - September 30, 1996 - Exh A</u>	<u>5,631,153</u>	<u>5,631,153</u>

The accompanying notes are an integral part
of these financial statements.

EXHIBIT C

DEBT SERVICE FUND		CAPITAL PROJECTS FUND		TOTALS (MEMORANDUM ONLY)	
<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>ACTUAL</u>
		438,194	438,194	9,493,859	9,493,859
				35,591	35,591
				1,873,890	1,873,890
				2,544,176	2,544,176
				901,506	901,506
34,174	34,174			202,310	202,310
				304,004	304,004
<u>34,174</u>	<u>34,174</u>	<u>438,194</u>	<u>438,194</u>	<u>15,355,336</u>	<u>15,355,336</u>
		2,089	2,089	4,487,751	4,487,751
				4,329,284	4,329,284
				3,143,502	3,143,502
				830,029	830,029
				264,136	264,136
				78,552	78,552
41,441	41,441			41,441	41,441
34,174	34,174			34,174	34,174
		<u>436,105</u>	<u>436,105</u>	<u>1,010,939</u>	<u>1,010,939</u>
<u>75,615</u>	<u>75,615</u>	<u>438,194</u>	<u>438,194</u>	<u>14,219,808</u>	<u>14,219,808</u>
(41,441)	(41,441)	-0-	-0-	1,135,528	1,135,528
<u>41,441</u>	<u>41,441</u>			<u>41,441</u>	<u>41,441</u>
-0-	-0-	-0-	-0-	1,176,969	1,176,969
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,454,184</u>	<u>4,454,184</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,631,153</u>	<u>5,631,153</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended September 30, 1996

EXHIBIT D

	<u>PROPRIETARY FUND TYPE ENTERPRISE</u>	<u>TOTALS MEMORANDUM ONLY</u>
<u>OPERATING REVENUE -</u>		
Fire Protection Fees	<u>669,572</u>	<u>669,572</u>
<u>OPERATING EXPENSES -</u>		
Operating and Maintenance	655,232	655,232
Depreciation	148,068	148,068
Bad Debts	<u>13,900</u>	<u>13,900</u>
Total Operating Expenses	<u>817,200</u>	<u>817,200</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(147,628)</u>	<u>(147,628)</u>
<u>NON-OPERATING REVENUE -</u>		
Interest Income	2,685	2,685
Gain on Sale of Fixed Assets	18,969	18,969
Other Income	<u>15,412</u>	<u>15,412</u>
Total Non-Operating Revenue	<u>37,066</u>	<u>37,066</u>
<u>NET INCOME (LOSS)</u>	<u>(110,562)</u>	<u>(110,562)</u>
<u>RETAINED EARNINGS -</u>		
<u>Balance - October 1, 1995</u>	4,951,322	4,951,322
<u>Less - Restatement Due to Change in</u> Treatment of Organization Formerly Considered Component Unit	<u>(4,905,214)</u>	<u>(4,905,214)</u>
<u>Balance - October 1, 1995 - As Restated</u>	<u>46,108</u>	<u>46,108</u>
<u>Balance - September 30, 1996- Exh A</u>	<u>(64,454)</u>	<u>(64,454)</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

For the Fiscal Year Ended September 30, 1996

EXHIBIT E
Page 1

	<u>PROPRIETARY FUND TYPE ENTERPRISE</u>	<u>TOTALS MEMORANDUM ONLY</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES -</u>		
Cash Received from Customers	649,567	649,567
Cash Payment to Suppliers for Goods and Services	(550,480)	(550,480)
Cash Payment to Employees for Services	(103,658)	(103,658)
Net Cash Provided by (Used in) Operating Activities	<u>(4,571)</u>	<u>(4,571)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -</u>		
Other Income Received	15,412	15,412
Cash Received from Other Funds	<u>175,313</u>	<u>175,313</u>
Net Cash Provided by Noncapital Financing Activities	<u>190,725</u>	<u>190,725</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -</u>		
Acquisition and Construction of Capital Assets	(207,280)	(207,280)
Proceeds from Sale of Equipment	<u>20,703</u>	<u>20,703</u>
Net Cash (Used in) Capital and Related Financing Activities	<u>(186,577)</u>	<u>(186,577)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES -</u>		
Interest on Investments	<u>2,685</u>	<u>2,685</u>
Net Cash Provided by Investing Activities	<u>2,685</u>	<u>2,685</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	<u>2,262</u>	<u>2,262</u>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>10,313</u>	<u>10,313</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>12,575</u>	<u>12,575</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS

For the Fiscal Year Ended September 30, 1996

EXHIBIT E
Page 2

	<u>PROPRIETARY FUND TYPE ENTERPRISE</u>	<u>TOTALS MEMORANDUM ONLY</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	(147,628)	(147,628)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities -		
Depreciation	148,068	148,068
Provisions for Losses on Accounts Receivable	13,900	13,900
Decrease (Increase) in Assets -		
Accounts Receivable	(18,739)	(18,739)
Due from Other Funds	(3,966)	(3,966)
(Decrease) Increase in Liabilities -		
Vouchers Payable	(228)	(228)
Accrued Expenses	1,322	1,322
Deferred Revenues	<u>2,700</u>	<u>2,700</u>
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	<u>(4,571)</u>	<u>(4,571)</u>
<u>NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES</u>		
<u>Contributed Capital -</u>		
Various Fixed Assets Purchased by Special Purpose Sales Tax Agency Fund and transferred to Enterprise Funds	452,054	452,054

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
September 30, 1996

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Walker County, Georgia complies with all Generally Accepted Accounting Principles (GAAP) except the recording of general fixed assets acquired prior to 1984. The County's reporting entity applies all Government Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Financial Reporting Entity

Walker County was established under the laws of the State of Georgia and operates under an elected Sole Commissioner. Management has considered all potential component units in its evaluation of defining the reporting entity for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and GAAP. This statement requires that the financial statements present the primary government and its component units. No additional entities meet the above criteria for inclusion in the financial statements.

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

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

Walker County Board of Education. This potential component unit 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 Children's Services and the Walker County Health Department. These potential component units have been appointed jointly by the area government's governing bodies. These are independent units that select management staff, set use charges, establish budgets and control all aspects of their daily activities.

Fund Accounting - The accounts of Walker County, Georgia, are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various fund categories and account groups are:

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt including capital lease obligations, principal, interest and related costs.

Capital Projects Fund - This fund is established to account for major capital expenditures not financed by Enterprise Funds.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges.

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

Agency Funds - Agency Funds are custodial in nature. They report assets received for, and disbursed to, other entities or outside persons or groups. Agency Funds report assets and liabilities; they do not report equity.

Account Groups - In addition to the three broad types of governmental funds, the County also maintains two account groups as described below:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the County, other than those accounted for in the proprietary funds.

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

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is followed for the Governmental Funds and the Agency Funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. Expenditures extending over more than one accounting period are recognized during the benefitting periods.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. Sales tax, franchise fees, property taxes, intergovernmental revenue and interest income are susceptible to accrual.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present revenues and expenses in fund equity.

The accrual basis of accounting is utilized by the proprietary funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgetary Data -

Walker County followed these procedures in establishing the budgetary data reflected in the financial statements:

1. The proposed budget for fiscal year 1996 was adopted by the Walker County Commissioner. The budget includes proposed expenditures and the means of financing them. The proposed budget was made available for public inspection at the County Courthouse.
2. A public hearing on the proposed budget was held on September 13, 1995. Notice of the hearing was given in the local newspaper a week prior to the hearing.
3. On September 22, 1995, the budget, as proposed, was formally adopted by resolution of the Commissioner.
4. The budget amounts for fiscal year 1996 were amended by the Walker County Commissioner to the actual operating figures.

Walker County, Georgia prepares a budget for all Governmental Funds. The budget is prepared on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is often employed for budgetary control purposes in general and special revenue funds. However, the County does not use encumbrance accounting.

Cash - The County segregates cash resources into its various funds. Cash in excess of current requirements is invested in certificates of deposit with various maturities or transferred to interest-bearing savings accounts. Deposits in excess of federally insured amounts are required to be collateralized by securities of the depository bank. Deposits account of the County were fully collateralized at September 30, 1996.

Accounts Receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts for the Fire and Rescue Protection Enterprise Fund is \$27,600 at September 30, 1996.

Capital Lease Receivable - The County purchased the LaFayette Golf Course from the City of LaFayette and then leased it back to the City under a direct financing lease.

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

Due To and Due From Other Funds - Interfund receivables and payables are the result of interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property and Equipment - General fixed assets have been acquired for general governmental purposes. Beginning in 1984, assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed asset account group. Contributed fixed assets are recorded in the account group at fair market value at the time received. Prior to 1984, assets purchased were recorded as expenditures in the governmental funds and the assets were not capitalized. Therefore, the general fixed asset account group includes only assets purchased after December 31, 1983. The effects of this departure on financial position is not reasonably determinable.

There is no provision being made for depreciation in the General Fixed Assets Account Group. When assets are sold, the amount realized is recognized as a revenue in the year of the sale. If an asset becomes obsolete, it is written off against the Investment in Fixed Assets.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the County. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

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

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings	15 to 30 years
Equipment	5 to 10 years
Vehicles	5 to 10 years
Furniture and Fixtures	10 years

Restricted Assets - The County is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only for designated purposes.

Investments - The County is permitted under state law to invest in obligations of Georgia or any other state, obligations issued by the U.S. government, obligations fully insured or guaranteed by the U.S. government, or by a government agency of the United States, obligations of any corporation of the U.S. government, prime bankers' acceptances, the Local Government Investment Pool established by state law, repurchase agreements, and obligations of other political subdivisions of Georgia. At September 30, 1996, the County had no such investments.

Compensated Absences - The County allows employees sick leave to a maximum of ten days per year and funeral leave for immediate family members up to three days per year. These absences cannot be carried over by the employee and can only be used for their designated purpose. Thus, no liability is required for sick leave or funeral leave.

Earned vacation time is required to be used by the end of each calendar year with no carryover to the next year. Thus, the liability for accrued vacation leave is all to be paid from current resources. The liability of \$33,100 has been recorded in the General Fund.

Deferred Revenues in the Agency Fund consist of property taxes that have been assessed, but the revenue will not be available to be utilized for expenditures incurred during the current period. In the Enterprise Fund, deferred revenues consist of fire protection fees collected in advance.

Undistributed Taxes in the agency funds consist of Special Purpose Sales Tax collections that have been recognized by the Special Purpose Sales Tax Agency Fund, but the assets have not been assigned to a specific fund as of the balance sheet date.

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

Property Taxes are recognized as revenue when the millage rate is set because they become both measurable and available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected within the current period or expected to be collected within sixty days after the end of the accounting period. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Total Columns - The Combined Financial Statements include a total column that is described as memorandum only. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund transactions have not been eliminated from the total column of each financial statement.

NOTE 2

DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

The deposits of the County were fully collateralized at September 30, 1996. The following schedule classifies the deposits into three categories to give an indication of the level of risk assumed by the County at year end. Category 1 includes deposits insured or collateralized with securities held by the County or by its agent in the County's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in Walker County's name. Category 3 includes uninsured and uncollateralized deposits of the County.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1	\$ 500,000	\$ 500,000
Category 2	8,395,827	8,579,459
Category 3	<u>-0-</u>	<u>-0-</u>
Total Deposits with Financial Institutions	<u>\$8,895,827</u>	<u>\$9,079,459</u>

The deposits of the County are included in the following classifications at September 30, 1996:

Cash and Cash Equivalents	\$7,031,603
Certificates of Deposit	1,400,000
Restricted Assets - Cash and Cash Equivalents	<u>464,224</u>
Total Deposits with Financial Institutions	<u>\$8,895,827</u>

NOTE 3

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 - Interlocal Risk Management Agency and the Group Self-Insured Workers' Compensation Fund. These are public entity risk pools currently operating as a common risk management and insurance program for many of the counties in the State. The County pays an annual premium to the funds for general liability and workers' compensation insurance coverage. The agreement between the members of the public entity risk pools provides that members may be required to pay additional assessments as shall be established by the Board of the pool. However, no additional assessments have been required of the members since formation of the pools.

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

NOTE 4

PROPERTY TAXES

The Tax Commissioner Agency Fund is responsible for assessing, collecting and distributing property taxes in accordance with state legislation. Property taxes attach as an enforceable lien on property as of January 1. Taxes are generally levied on October 20 based on assessed value of property as listed the previous January 1. All unpaid taxes become delinquent sixty days after the date taxes are paid.

Property taxes receivable at September 30, 1996 consist of the following:

<u>Year of Levy</u>	<u>Amount</u>
1996	\$12,418,020
1995	509,644
1994	250,057
1993	205,566
1992	117,150
1991	94,051
1990	38,543
1989	22,057
Total Property Taxes Receivable	13,655,088
<u>Less</u> - Allowance for Uncollectibles	<u>137,936</u>
Property Taxes Receivable - Net	<u>\$13,517,152</u>

NOTE 5

LEASES RECEIVABLE

On June 1, 1992, Walker County entered into a direct financing lease of the LaFayette Golf Course. The lease expires July 2, 2004 or at such date that all of the Walker County Golf Course Notes have been paid in full, whichever is later.

A summary of the components of the net investment in the direct financing lease at September 30, 1996 is as follows:

Total minimum lease payments to be received	\$604,919
Unearned income	<u>144,705</u>
Net Investment	<u>\$460,214</u>

Unearned income of \$34,174 has been included in income for fiscal year 1996.

Minimum future lease payments to be received under capital leases as of September 30, 1996 for each of the next five years and in the aggregate are:

<u>September 30</u>	<u>Amount</u>
1997	\$ 75,615
1998	75,615
1999	75,615
2000	75,615
2001	75,615
Subsequent to 2001	<u>226,844</u>
	604,919
Less - Amount representing interest	<u>144,705</u>
	<u>\$460,214</u>

NOTE 6

DUE TO/FROM OTHER FUNDS

As of September 30, 1996, interfund receivables and payables resulting from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$1,264,991	\$
Enterprise Fund - Fire and Rescue Protection Fund	11,234	348,293
Agency Funds - Tax Commissioner		787,381
Clerk of Courts		121,834
Special Purpose Sales Tax		8,377
Probate Judge		3,053
Magistrate Court		<u>7,287</u>
<u>Total</u>	<u>\$1,276,225</u>	<u>\$1,276,225</u>

NOTE 7

DUE FROM OTHER GOVERNMENTS

In the General Fund, Due from Other Governments consists of \$41,838 due from various governments for reimbursement of expenses. Also, \$247,339 is due from the State of Georgia for sales tax collected and not yet passed down to the County and \$1,455,356 is due from the State of Georgia for insurance premium tax collected and not yet passed down to the County. In addition, \$227,660 is due from various departments of the State of Georgia for grant funds recognized based upon recorded expenditures, and \$26,524 is due from federal grant funds. The remaining \$720 Due from Other Governments is receivable for a judicial council court grant.

NOTE 8

PROPERTY, PLANT AND EQUIPMENT

A summary of changes in General Fixed Assets follows:

	<u>BALANCE</u> <u>OCT 1, 1995</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>SEPT 30, 1996</u>
Land	\$ 136,980			\$ 136,980
Land Improvements	20,247			20,247
Buildings	5,795,423			5,795,423
Building Improvements	654,157	19,497		673,654
Equipment	5,909,117	555,336	268,243	6,196,210
Construction in Progress	284,650	436,106		720,756
<u>Totals</u>	<u>\$12,800,574</u>	<u>\$1,010,939</u>	<u>\$268,243</u>	<u>\$13,543,270</u>

Property, Plant and Equipment of the Proprietary Fund consists of the following:

Land	\$ 400
Buildings	315,360
Equipment	550,465
Vehicles	954,132
Furniture and Fixtures	16,482
Construction in Progress	88,458
	<u>1,925,297</u>
<u>Less - Accumulated Depreciation</u>	<u>(193,636)</u>
<u>Total</u>	<u>\$1,731,661</u>

The depreciation expense for the proprietary fund is \$148,068 for the fiscal year ended September 30, 1996.

NOTE 9

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that Walker County, Georgia place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The closure and postclosure costs for the year ended September 30, 1996 is \$337,000. The estimated liability for landfill closure and postclosure care costs is \$2,382,000 as of September 30, 1996, which is based on 78% usage (filled) of the landfill. It is estimated that an additional \$671,000 will be recognized as closure and postclosure care costs between the date of the financial statements and the date the landfill is expected to be filled to capacity (1998).

The estimated total current cost of the landfill closure and postclosure care of \$3,053,000 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 1996. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by state law to impose a \$1.00 per ton fee for all solid waste disposed of in the landfill to be used for landfill maintenance. The County has deposited these funds plus an additional \$1.00 per ton in a separate account to finance closure and postclosure care. The remaining portion of anticipated costs may need to be covered by charges to future landfill users, taxpayers, or both.

NOTE 10

DUE TO OTHER GOVERNMENTS

In the Agency Funds, Due to Other Governments consists of \$2,149,309 collected by the Tax Commissioner for other governmental units; \$23,370 for fines and forfeitures collected by the Clerk of Court for other governmental units; \$5,182,841 for special purpose sales tax revenue collected by the Special Purpose Sales Tax Fund for other governmental units; \$210 collected by the Probate Judge for other governmental units, and \$1,321 collected by the Magistrate Court for other governmental units.

NOTE 11

NOTES PAYABLE

General Long-Term Debt Account Group

On June 1, 1992, Walker County entered into an intergovernmental contract with the City of LaFayette, Georgia providing that the County purchase the LaFayette Golf Course from the City. The City agrees to lease the facility and the County agrees to provide additional golf course facilities to the City for the benefit of the citizens of the City and the County. In conjunction with the purchase, the County agrees to issue \$1,000,000 in revenue bonds to provide for the acquisition, construction, equipping and operation of the golf course. The agreement was amended in 1993 to change the debt from revenue bonds to notes payable.

NOTE 11

NOTES PAYABLE (continued)

The agreement is effective June 1, 1992 and shall expire on July 2, 2004, or at such date that all of the debt has been paid in full, whichever is later. In no event shall the contract be in excess of 50 years. The contract payments to the County shall be quarterly in an amount sufficient to enable the County to pay in full the principal of and interest on the debt coming due the succeeding quarter. At any time during the term of the contract and for one year after the expiration thereof, the City has the unconditional right and option to purchase the golf course from the County for \$100 plus the amount necessary under the provisions of the resolution to pay the debt in full.

The City of LaFayette is appointed to acquire, construct, install and equip the project. The City also agrees to operate and maintain the golf course. All operating revenue and expenses are the property and responsibility of the City.

The amendment permitted draws as funds were needed for construction. Payments commenced on October 2, 1994. The note is payable at \$18,904 quarterly including interest at 7% to July 2, 2004.

The following is a summary of notes payable transactions in the General Long-Term Debt Account Group:

Debt Outstanding - Beginning of Period	\$501,655
Retirements and Repayments	<u>(41,441)</u>
Debt Outstanding - End of Period	<u>\$460,214</u>

Following are maturities of long-term debt for each of the next five years and to maturity for all fund types and account groups:

<u>September 30</u>	<u>Amount</u>
1997	\$ 44,526
1998	47,729
1999	51,163
2000	54,844
2001	58,790
Subsequent to 2001	<u>203,162</u>
<u>Total</u>	<u>\$460,214</u>

NOTE 12

WALKER COUNTY WATER AND SEWERAGE SYSTEM REVENUE BONDS OUTSTANDING

In September of 1977, the Walker County Water and Sewerage System was sold to the Walker County Water and Sewerage Authority. \$5,264,567 of the sales proceeds of the System were deposited in trust for and on behalf of Walker County. The funds deposited in trust, plus the income earned from investment of these funds, will be used to pay interest and principal of the 1969, 1971 and 1974 Series Water and Sewerage System Revenue Bonds that were outstanding on the date the System was sold. Accordingly, the trust account assets and liabilities are not included in the financial statements.

NOTE 12

WALKER COUNTY WATER AND SEWERAGE SYSTEM REVENUE BONDS OUTSTANDING (continued)

The bonds outstanding on September 30, 1996 were as follows:

1969 Series	-	\$1,690,000
1971 Series	-	\$985,000

NOTE 13

CONTRIBUTED CAPITAL

During the fiscal year ended September 30, 1996, changes in contributed capital were as follows:

	Fire and Rescue <u>Protection Fund</u>
Transfer of fire and rescue buildings and equipment	\$ 452,055
Contributed Capital - Beginning	<u>864,152</u>
Contributed Capital - Ending	<u>\$1,316,207</u>

NOTE 14

RETAINED EARNINGS - DEFICIT

A deficit in retained earnings is reflected in the Fire and Rescue Protection Enterprise Fund at September 30, 1996. Any deficits in the fund are being funded by the General Fund.

NOTE 15

CONTINGENT LIABILITIES

We were informed by the County Attorney and other attorneys representing the County that on September 30, 1996 or the dates of their replies to our request, pending litigation against Walker County, Georgia of which they were aware was as follows:

1. Several suits for damages which are not covered by the insurance policies of the County. The likelihood or extent of the County's liability cannot be determined at the present time.
2. Several complaints filed against the Sheriff's Department which appear to be covered by the insurance policies of the County. The likelihood or extent of the County's liability cannot be determined at the present time.

DEFINED BENEFIT PENSION PLAN

A. Plan Description

Walker County, Georgia contributes to the Walker County Defined Benefit Pension Plans which are single-employer pension employees retirement systems (PERS). There are two separate plans covering employees of the General County and the Sheriff's Department. It is the responsibility of the Walker County PERS to function as an investment and administrative agent for the County's pension plan. The County's covered payroll for active participants in the pension plan was \$4,160,648 for the plan year 1996. Total payroll for the fiscal year ended September 30, 1996 was \$5,201,306.

Based on County ordinance, employees become eligible to participate in the plan upon the anniversary of their employment commencement date following completion of at least 1,000 hours of employment during the preceding 12 consecutive month period. All employees credited with more than 500 hours of employment per year remain eligible.

Employees become 50% vested after seven years of service with the vesting percentages increasing 10% each year until employees are fully vested after 12 years of service. The plan calls for either a (1) normal retirement benefit, whereas the employee retires at age 65; (2) early retirement benefit, whereas the employee may retire at age 60 or older with 20 years of credited service; (3) delayed retirement whereas the employee retires after age 65; or (4) retirement at age 62 with an actuarially reduced benefit.

County employees who become eligible for distribution of benefits are entitled to a lump sum payment. Otherwise, employees who retire at or after age 65 receive annual retirement benefits, payable monthly for life, in an amount equal to 1.10% of average compensation multiplied by credited service plus 0.65% of average compensation in excess of \$10,000 multiplied by credited service up to 35 years. The early retirement benefit is computed in the same manner as the normal benefit, reduced on an actuarially equivalent basis. The plan also provides life insurance on the lives of the participants beginning after one year of participation and disability benefits effective upon completion of 1 year of credited service.

The County contributes to the plan for each plan year in which funds are deemed available, the amount necessary to satisfy the funding requirements of the plan as determined by the actuary under the funding and asset valuation methods used to determine the costs and liabilities of the plan. Employee contributions are not permitted.

B. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan.

The pension benefit obligation was computed as part of an actuarial valuation performed as of January 1, 1996. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7 percent a year, (b) projected salary increases of 5 percent, attributable to inflation, (c) no additional projected salary increases attributable to seniority/merit, and (d) no postretirement benefit increases.

NOTE 16

DEFINED BENEFIT PENSION PLAN (continued)

Total unfunded pension benefit obligation applicable to the County's employees at January 1, 1996, is detailed below:

	<u>GENERAL COUNTY</u>	<u>SHERIFF'S DEPT.</u>	<u>TOTAL</u>
Pension Benefit Obligation - Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 32,076	\$ 50,510	\$ 82,586
Current employees - Employer-financed vested	955,723	157,184	1,112,907
Employer-financed nonvested	<u>930,915</u>	<u>507,355</u>	<u>1,438,270</u>
Total Pension Benefit Obligation	1,918,714	715,049	2,633,763
Net Assets Available for Benefits, At Market	<u>1,183,792</u>	<u>526,020</u>	<u>1,709,812</u>
Unfunded Pension Benefit Obligation	\$ <u>734,922</u>	\$ <u>189,029</u>	\$ <u>923,951</u>

No changes in actuarial assumptions or benefit provisions that would significantly affect the valuation of the pension benefit obligation occurred during the year.

C. Contributions Required and Contributions Made

The County makes yearly contributions to the pension plan when the funds are deemed available, determined each year under the funding and asset valuation methods used to determine the costs and liabilities of the plan. The period, and related method, for amortizing the unfunded accrued liability is 30 years as a level dollar amount. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to determine the standardized measure of the pension benefit obligation.

The contributions made by the County to the pension plan for fiscal year 1996 of \$400,000 was made in accordance with actuarially deemed requirements computed through an actuarial valuation performed as of January 1, 1996. The pension contribution made during 1996 represents funding for normal cost of \$260,378 and the amortization of unfunded actuarial accrued liability of \$139,622. Contributions made by the County represent 5.4% of the covered payroll for the 1996 plan year.

The computation of the pension contribution requirements for 1996 was based on the same (a) actuarial assumptions, (b) benefit provisions, (c) actuarial funding method, and (d) other significant factors as used to determine pension contribution requirements in the previous year.

NOTE 16

DEFINED BENEFIT PENSION PLAN (continued)

D. Trend Information

Historical trend information for Walker County, Georgia is presented below.

	<u>JANUARY 1</u>		
	<u>1996</u>	<u>1995</u>	<u>1994</u>
Net Assets Available for Benefits as a Percentage of Pension Benefit Obligation	64.9%	67.6%	73.2%
Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll	22.2%	16.8%	12.3%
County's Contribution as a Percentage of Annual Covered Payroll	5.4%	9.6%	7.0%

Ten-year Historical trend information is disclosed in Schedule 8 as required supplementary information. Historical trend information is presented in order for the reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

NOTE 17

RELATED ORGANIZATIONS

The County Commissioner is responsible for appointing the members of boards of other organizations but the County's accountability for these organizations does not extend beyond making the appointments. The County Commissioner appoints the board members of the Walker County Water and Sewerage Authority, Walker County Family and Children's Services, and Walker County Health Department.

The Walker County Water and Sewerage Authority was presented as a component unit in the prior years financial statements. The County has determined, as disclosed above, that their accountability for this organization does not extend beyond making appointments; therefore, the Authority should be treated as a related organization. The effect of this change has decreased beginning retained earnings in the enterprise funds by \$4,905,214.

NOTE 18

THE HOSPITAL AUTHORITY OF WALKER, DADE, AND CATOOSA COUNTIES REVENUE BONDS OUTSTANDING

On August 1, 1985, Walker County entered into a contract with the Hospital Authority of Walker, Dade, and Catoosa Counties providing that the counties pay to the Authority from time to time amounts sufficient to pay the principal of, redemption premium (if any) and interest on the Authority's Series 1985 Certificates to the extent that the Gross Revenues of the Authority are insufficient to provide for such payment. This contract was subsequently amended on July 16, 1991 due to the defeasance of the Series 1985 Certificates and issuance of Series 1991A and 1991B Certificates. The amendment makes the provisions of the contract apply to the 1991 issues. As of September 30, 1996, the counties have not been required to pay any monies to the Hospital Authority.

NOTE 19

CLAIMS AND JUDGMENTS

The County participates in a number of federal and state 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, 1996, significant amounts of grant expenditures have not been audited by the appropriate grantor government; however, the County feels that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

NOTE 20

SUBSEQUENT EVENTS

The County entered into an agreement to purchase 15 fire trucks and related equipment for the Fire and Rescue Protection Agency Fund in November 1996, at a cost of \$2,199,922. In connection with this purchase, the County will finance the equipment for a ten year period at an interest rate of 5.10%.

NOTE 21

SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains an enterprise fund which provides fire and rescue services. Segment information for the fiscal year ended September 30, 1996 is as follows:

	<u>Fire and Rescue Protection Fund</u>
Operating revenue	669,572
Depreciation and amortization expense	148,068
Operating income (loss)	(147,628)
Net income (loss)	(110,562)
Current capital contributions	452,055
Property, plant and equipment -	
Additions	659,334
Deletions	1,900
Net working capital (deficit)	(479,908)
Total assets	1,773,630
Total equity	1,251,753

WALKER COUNTY, GEORGIA
COMBINING BALANCE SHEETS - ALL ENTERPRISE FUNDS
FIRE AND RESCUE PROTECTION FUND
September 30, 1996

Schedule 1

A S S E T S

CURRENT ASSETS -

Cash and Cash Equivalents	12,575
Accounts Receivable -	
Consumers	18,160
Due from Other Funds	<u>11,234</u>
Total Current Assets	<u>41,969</u>

PROPERTY AND EQUIPMENT

Less - Accumulated Depreciation	1,925,297
	<u>(193,636)</u>
Property and Equipment - Net	<u>1,731,661</u>

TOTAL ASSETS

1,773,630

L I A B I L I T I E S

CURRENT LIABILITIES -

Vouchers Payable	866
Accrued Liabilities	2,518
Due to Other Funds	348,293
Deferred Revenues	<u>170,200</u>
Total Current Liabilities	<u>521,877</u>

FUND EQUITY -

Contributed Capital	1,316,207
Retained Earnings (Deficit) - Sch 2	<u>(64,454)</u>
Total Fund Equity	<u>1,251,753</u>

TOTAL LIABILITIES AND FUND EQUITY

1,773,630

The accompanying notes are an integral
part of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING STATEMENTS OF REVENUE, EXPENSES AND
RETAINED EARNINGS - ALL ENTERPRISE FUNDS

FIRE AND RESCUE PROTECTION FUND

For the Fiscal Year Ended September 30, 1996

Schedule 2

<u>REVENUE -</u>	
Fire Protection Fees	<u>669,572</u>
<u>OPERATING EXPENSES -</u>	
Operating and Maintenance - Sch 7	655,232
Depreciation	148,068
Bad Debts	<u>13,900</u>
Total Operating Expenses	<u>817,200</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(147,628)</u>
<u>NON-OPERATING REVENUE -</u>	
Interest Income	2,685
Gain on Sale of Fixed Assets	18,969
Other Income	<u>15,412</u>
Total Non-Operating Revenue	<u>37,066</u>
<u>NET INCOME (LOSS)</u>	<u>(110,562)</u>
<u>RETAINED EARNINGS -</u>	
<u>Balance - Beginning</u>	<u>46,108</u>
<u>Balance (Deficit) - Ending - Sch 1</u>	<u>(64,454)</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING STATEMENTS OF CASH FLOWS -
ALL ENTERPRISE FUNDS

FIRE AND RESCUE PROTECTION FUND

For the Fiscal Year Ended September 30, 1996

Schedule 3
Page 1

CASH FLOWS FROM OPERATING ACTIVITIES -

Cash Received from Customers	649,567
Cash Payments to Suppliers for Goods and Services	(550,480)
Cash Payments to Employees for Services	(103,658)
Net Cash Provided by (Used in) Operating Activities	<u>(4,571)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -

Other Income Received	15,412
Cash Received from Other Funds	<u>175,313</u>
Net Cash Provided by Noncapital Financing Activities	<u>190,725</u>

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES -

Acquisition and Construction of Capital Assets	(207,280)
Proceeds from Sale of Equipment	<u>20,703</u>
Net Cash (Used in) Capital and Related Financing Activities	<u>(186,577)</u>

CASH FLOWS FROM INVESTING ACTIVITIES -

Interest on Investments	<u>2,685</u>
Net Cash Provided by Investing Activities	<u>2,685</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

2,262

CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD

10,313

CASH AND CASH EQUIVALENTS - END OF PERIOD

12,575

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING STATEMENTS OF CASH FLOWS -
ALL ENTERPRISE FUNDS

FIRE AND RESCUE PROTECTION FUND

For the Fiscal Year Ended September 30, 1996

Schedule 3
Page 2

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	(147,628)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities -	
Depreciation	148,068
Provision for Losses on Accounts Receivable	13,900
Change in Assets and Liabilities -	
Decrease (Increase) in Assets -	
Accounts Receivable	(18,739)
Due from Other Funds	(3,966)
(Decrease) Increase in Liabilities -	
Vouchers Payable	(228)
Accrued Expenses	1,322
Deferred Revenues	<u>2,700</u>

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (4,571)

NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES

Contributed Capital -

Various fixed assets were purchased by Special Purpose Sales Tax Agency Fund and transferred to Enterprise Funds	452,054
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The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING BALANCE SHEET - ALL AGENCY FUNDS

September 30, 1996

Schedule 4

	<u>TAX</u> <u>COMMISSIONER</u>	<u>CLERK OF</u> <u>COURTS</u>	<u>SPECIAL</u> <u>PURPOSE</u> <u>SALES TAX</u>	<u>PROBATE</u> <u>JUDGE</u>	<u>MAGISTRATE</u> <u>COURT</u>	<u>TOTALS</u>
A S S E T S						
Cash and Cash Equivalents	388,467	328,472	5,263,943	4,037	20,223	6,005,142
Taxes Receivable (Net of Allowance for Uncollectibles)	<u>13,517,152</u>	<u> </u>	<u>306,859</u>	<u> </u>	<u> </u>	<u>13,824,011</u>
<u>TOTAL ASSETS</u>	<u>13,905,619</u>	<u>328,472</u>	<u>5,570,802</u>	<u>4,037</u>	<u>20,223</u>	<u>19,829,153</u>
L I A B I L I T I E S						
Vouchers Payable	462	183,268	79,181	774	11,615	275,300
Due to Other Funds	787,381	121,834	8,377	3,053	7,287	927,932
Due to Other Governments	2,149,309	23,370	5,182,841	210	1,321	7,357,051
Deferred Revenues	10,968,467					10,968,467
Undistributed Taxes	<u> </u>	<u> </u>	<u>300,403</u>	<u> </u>	<u> </u>	<u>300,403</u>
<u>TOTAL LIABILITIES</u>	<u>13,905,619</u>	<u>328,472</u>	<u>5,570,802</u>	<u>4,037</u>	<u>20,223</u>	<u>19,829,153</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS

For the Fiscal Year Ended September 30, 1996

Schedule 5

Page 1

	<u>BALANCE</u> <u>OCT 1, 1995</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>SEPT 30, 1996</u>
<u>TAX COMMISSIONER</u>				
<u>ASSETS</u>				
Cash	440,368	17,159,062	17,210,963	388,467
Taxes Receivable	<u>13,688,497</u>	<u>12,418,020</u>	<u>12,589,365</u>	<u>13,517,152</u>
Total Assets	<u>14,128,865</u>	<u>29,577,082</u>	<u>29,800,328</u>	<u>13,905,619</u>
<u>LIABILITIES</u>				
Vouchers Payable	3,740	19,971	23,249	462
Due to Other Funds	790,579	4,691,352	4,694,550	787,381
Due to Other Governments	1,710,207	12,812,971	12,373,869	2,149,309
Deferred Revenues	<u>11,624,339</u>	<u>12,418,020</u>	<u>13,073,892</u>	<u>10,968,467</u>
Total Liabilities	<u>14,128,865</u>	<u>29,942,314</u>	<u>30,165,560</u>	<u>13,905,619</u>
<u>CLERK OF COURTS</u>				
<u>ASSETS</u>				
Cash	<u>682,778</u>	<u>2,026,093</u>	<u>2,380,399</u>	<u>328,472</u>
<u>LIABILITIES</u>				
Vouchers Payable	401,653	0	218,385	183,268
Due to Other Funds	132,936	1,144,059	1,155,161	121,834
Due to Other Governments	<u>148,189</u>	<u>93,047</u>	<u>217,866</u>	<u>23,370</u>
Total Liabilities	<u>682,778</u>	<u>1,237,106</u>	<u>1,591,412</u>	<u>328,472</u>
<u>SPECIAL PURPOSE SALES TAX</u>				
<u>ASSETS</u>				
Cash	4,588,936	4,098,384	3,423,377	5,263,943
Taxes Receivable	304,122	3,970,239	3,967,502	306,859
Due from Other Funds	-0-	<u>3,967,501</u>	<u>3,967,501</u>	0
Total Assets	<u>4,893,058</u>	<u>12,036,124</u>	<u>11,358,380</u>	<u>5,570,802</u>
<u>LIABILITIES</u>				
Vouchers Payable	333,866	2,912,300	3,166,985	79,181
Due to Other Funds	11,592	0	3,215	8,377
Due to Other Governments	4,156,180	2,107,345	1,080,684	5,182,841
Undistributed Taxes	<u>391,420</u>	<u>1,993,777</u>	<u>2,084,794</u>	<u>300,403</u>
Total Liabilities	<u>4,893,058</u>	<u>7,013,422</u>	<u>6,335,678</u>	<u>5,570,802</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS

For the Fiscal Year Ended September 30, 1996

Schedule 5
Page 2

	<u>BALANCE</u> <u>OCT 1, 1995</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>SEPT 30, 1996</u>
<u>PROBATE JUDGE</u>				
<u>ASSETS</u>				
Cash	<u>5,376</u>	<u>61,344</u>	<u>62,683</u>	<u>4,037</u>
<u>LIABILITIES</u>				
Vouchers Payable	1,130	11,157	11,513	774
Due to Other Funds	4,141	48,365	49,453	3,053
Due to Other Governments	<u>105</u>	<u>1,710</u>	<u>1,605</u>	<u>210</u>
<u>Total Liabilities</u>	<u>5,376</u>	<u>61,232</u>	<u>62,571</u>	<u>4,037</u>
<u>MAGISTRATE COURT</u>				
<u>ASSETS</u>				
Cash	<u>22,966</u>	<u>243,441</u>	<u>246,184</u>	<u>20,223</u>
<u>LIABILITIES</u>				
Vouchers Payable	13,597	142,048	144,030	11,615
Due to Other Funds	8,400	96,893	98,006	7,287
Due to Other Governments	<u>969</u>	<u>4,500</u>	<u>4,148</u>	<u>1,321</u>
<u>Total Liabilities</u>	<u>22,966</u>	<u>243,441</u>	<u>246,184</u>	<u>20,223</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash	5,740,424	23,588,324	23,323,606	6,005,142
Taxes Receivable	13,992,619	16,388,259	16,556,867	13,824,011
Due from Other Funds	<u>-0-</u>	<u>3,967,501</u>	<u>3,967,501</u>	<u>0</u>
<u>Total Assets</u>	<u>19,733,043</u>	<u>43,944,084</u>	<u>43,847,974</u>	<u>19,829,153</u>
<u>LIABILITIES</u>				
Vouchers Payable	753,986	3,085,476	3,564,162	275,300
Due to Other Funds	947,648	5,980,669	6,000,385	927,932
Due to Other Governments	6,015,650	15,019,573	13,678,172	7,357,051
Deferred Revenues	11,624,339	12,418,020	13,073,892	10,968,467
Undistributed Tax	<u>391,420</u>	<u>1,993,777</u>	<u>2,084,794</u>	<u>300,403</u>
<u>Total Liabilities</u>	<u>19,733,043</u>	<u>38,497,515</u>	<u>38,401,405</u>	<u>19,829,153</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA
STATEMENT OF GENERAL FIXED ASSETS
September 30, 1996

Schedule 6

<u>General Fixed Assets -</u>	
Land	136,980
Land Improvements	20,247
Buildings	5,795,423
Building Improvements	673,654
Equipment	6,196,210
Construction in Progress	<u>720,756</u>
<u>Total General Fixed Assets</u>	<u>13,543,270</u>
 <u>Investments in General Fixed Assets From -</u>	
General Fund	10,833,750
Agency Fund	2,676,786
Donations	<u>32,734</u>
<u>Total Investment in General Fixed Assets</u>	<u>13,543,270</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

COMBINING OPERATING AND MAINTENANCE EXPENSES - ALL PROPRIETARY FUND TYPES

FIRE AND RESCUE PROTECTION FUND

For the Fiscal Year Ended September 30, 1996

Schedule 7

Insurance -	
Liability	87,345
Workers Compensation	4,588
Operating Supplies	18,528
Payroll Tax Expense	7,700
Printing and Office Supplies	43,523
Protective Uniform Expense	41,755
Repairs and Maintenance	254,417
Salaries	104,980
Telephone	11,074
Truck and Auto Expense	41,855
Training Expense	2,224
Travel Expense	406
Utilities	<u>36,837</u>
<u>TOTAL OPERATING EXPENSES - Sch 2</u>	<u>655,232</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

SCHEDULE OF HISTORICAL TRENDS -

DEFINED BENEFIT PENSION PLAN

September 30, 1996

Schedule 8

	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Net Assets Available for Benefits	\$1,709,812	\$1,275,118	\$1,209,416	\$948,485	\$807,858	\$707,674	\$748,103	\$800,829	\$580,065	\$622,415
Pension Benefit Obligation	\$2,633,763	\$1,886,063	\$1,652,239	\$1,083,305	\$934,626	\$739,450	\$789,065	\$800,101	*	*
Net Assets Available for Benefits as a Percentage of Pension Benefit Obligation	64.9%	67.6%	73.2%	87.6%	86.4%	95.7%	94.8%	100.1%	*	*
Unfunded Pension Benefit Obligation	\$923,951	\$610,945	\$442,823	\$134,820	\$126,768	\$31,776	\$40,962	\$(728)	*	*
Annual Covered Payroll	\$4,160,648	\$3,642,240	\$3,586,867	\$2,925,571	\$2,538,794	\$2,153,035	\$1,577,435	\$1,536,446	\$1,535,824	\$1,466,679
Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll	22.2%	16.8%	12.3%	4.6%	4.9%	1.5%	2.6%	0	*	*

* Trend information not available.

The accompanying notes are an integral part of these financial statements.

WALKER COUNTY, GEORGIA
MULTI-JURISDICTIONAL TASK FORCE
DSCI-95-27

For the Grant Period from July 1, 1995 to June 30, 1996

For the Fiscal Year Ended September 30, 1996

Schedule 9

SOURCE AND APPLICATION OF FUNDS SCHEDULE

Total program funds allocated to recipient	166,000
Less - Total program funds drawn by recipient	<u>166,000</u>
Funds still available for program resources	<u>-0-</u>
 Total program funds drawn and received by recipient	 145,230
Less - Funds applied and expended for program costs	<u>166,000</u>
Total program funds held by (due to) recipient	(20,770)

PROJECT COST SCHEDULE

<u>Activity</u>	<u>Budget</u>	<u>Expenditures to 9-30-96</u>
Personnel	209,881	209,881
Supplies	7,936	7,936
Travel	493	493
Other	<u>25,023</u>	<u>25,023</u>
	<u>243,333</u>	<u>243,333</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA
MULTI-JURISDICTIONAL TASK FORCE
DSCI-96-27

For the Grant Period from July 1, 1996 to June 30, 1997

For the Fiscal Year Ended September 30, 1996

Schedule 10

SOURCE AND APPLICATION OF FUNDS SCHEDULE

Total program funds allocated to recipient	221,300
Less - Total program funds drawn by recipient	<u>60,879</u>
Funds still available for program resources	<u>160,421</u>
 Total program funds drawn and received by recipient	 -0-
Less - Funds applied and expended for program costs	<u>60,879</u>
Total program funds held by (due to) recipient	<u>(60,879)</u>

PROJECT COST SCHEDULE

<u>Activity</u>	<u>Budget</u>	<u>Expenditures to 9-30-96</u>
Personnel	218,934	46,388
Equipment	21,633	21,574
Supplies	18,500	2,887
Travel	1,000	-0-
Other	<u>35,000</u>	<u>10,323</u>
	<u>295,067</u>	<u>81,172</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

DRUG ABUSE RESISTANCE EDUCATION - DARE GRANT

DSCI-95-91

For the Grant Period from July 1, 1995 to June 30, 1996

For the Fiscal Year Ended September 30, 1996

Schedule 11

SOURCE AND APPLICATION OF FUNDS SCHEDULE

Total program funds allocated to recipient	40,000
Less - Total program funds drawn by recipient	<u>40,000</u>
Funds still available for program resources	<u>-0-</u>
 Total program funds drawn and received by recipient	40,000
Less - Funds applied and expended for program costs	<u>40,000</u>
Total program funds held by (due to) recipient	<u>-0-</u>

PROJECT COST SCHEDULE

<u>Activity</u>	<u>Budget</u>	<u>Expenditures to 9-30-96</u>
Personnel	<u>53,333</u>	<u>53,333</u>
	<u>53,333</u>	<u>53,333</u>

The accompanying notes are an integral part
of these financial statements.

WALKER COUNTY, GEORGIA

DRUG ABUSE RESISTANCE EDUCATION - DARE GRANT

DSCI-96-79

For the Grant Period from July 1, 1996 to June 30, 1997

For the Fiscal Year Ended September 30, 1996

Schedule 12

SOURCE AND APPLICATION OF FUNDS SCHEDULE

Total program funds allocated to recipient	45,500
Less - Total program funds drawn by recipient	<u>16,580</u>
Funds still available for program resources	<u>28,920</u>
Total program funds drawn and received by recipient	-0-
Less - Funds applied and expended for program costs	<u>16,580</u>
Total program funds held by (due to) recipient	<u>(16,580)</u>

PROJECT COST SCHEDULE

<u>Activity</u>	<u>Budget</u>	<u>Expenditures to 9-30-96</u>
Personnel	<u>60,667</u>	<u>22,107</u>
	<u>60,667</u>	<u>22,107</u>

The accompanying notes are an integral part
of these financial statements.

BURK, HUGGINS & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Commissioner
Walker County, Georgia

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Walker County, Georgia, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of Walker County, Georgia, for the fiscal year ended September 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

To the Commissioner
Walker County, Georgia

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The following reportable condition was noted:

1. The District Attorney's office purchased fixed assets from suppliers at state bid price rather than going through the required bid procedures and either failed to obtain sufficient documentation or has not retained documentation verifying the items are indeed purchased at state bid price. This could result in items being purchased at higher prices than would otherwise be required or in possible violations of established bid procedures.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of Walker County, Georgia, for the fiscal year ended September 30, 1996.

The following material weakness was noted:

1. The Clerk of Court has again failed to implement necessary accounting procedures to reconcile cash on deposit for the Superior Court to amounts required to be held. In addition, the Clerk of Court continues to hold approximately \$110,000 due to the general fund for interest income earned in prior years. Because income generated from funds held by the Clerk is required to be turned over to the State, the County is losing approximately \$6,000 per year in income that would be generated from these funds. Failure to reconcile Superior Court funds could result in errors or possible embezzlement without anyone's knowledge. Controls need to be implemented to reconcile cash amounts to required balances and all funds owed to the general fund should be transferred in order to generate income from these funds.

This report is intended for the information of Walker County, Georgia management and the U.S. Bureau of the Census. However, this report is a matter of public record, and its distribution is not limited.

December 17, 1996

Burd, Higgins & Co.

BURK, HUGGINS & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Commissioner
Walker County, Georgia

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Walker County, Georgia, is the responsibility of the management of Walker County, Georgia. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management and the U.S. Bureau of the Census. However, this report is a matter of public record and its distribution is not limited.

December 17, 1996

Burk, Huggins & Co.

BURK, HUGGINS & Co.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Commissioner
Walker County, Georgia

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984.

We have applied procedures to test Walker County, Georgia's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the fiscal year ended September 30, 1996: political activity, civil rights, cash management, allowable costs/cost principles, Drug-free Workplace Act, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Walker County, Georgia's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Walker County, Georgia had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of management, and the U.S. Bureau of the Census. However, this report is a matter of public record and its distribution is not limited.

December 17, 1996

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL
CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

To the Commissioner
Walker County, Georgia

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In planning and performing our audit for the fiscal year ended September 30, 1996, we considered the County's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on Walker County, Georgia's general purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated December 17, 1996.

The management of Walker County, Georgia is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

To the Commissioner
Walker County, Georgia

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs into the following categories:

General Requirements -

1. Political Activity
2. Civil rights
3. Cash management
4. Allowable costs/cost principles
5. Drug-free Workplace Act
6. Administrative requirements

Specific Requirements -

1. Types of services allowed or not allowed
2. Eligibility
3. Matching, Level of Effort, and/or Earmarking Requirements
4. Reporting
5. Special requirements, if any

Claims for Advances and Reimbursement
Amounts Claimed or Used for Matching

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the fiscal year ended September 30, 1996, Walker County, Georgia had no major federal financial assistance programs and expended 62% of its total federal financial assistance under the following nonmajor federal financial assistance programs: U.S. Department of Justice - Drug Control and System Improvement - Formula Grant and U.S. Department of Transportation - Urban Mass Transportation Administration Grant.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the aforementioned nonmajor programs. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control

To the Commissioner
Walker County, Georgia

structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the U.S. Bureau of the Census. However, this report is a matter of public record and its distribution is not limited.

December 17, 1996

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

To the Commissioner
Walker County, Georgia

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984.

In connection with our audit of the general purpose financial statements of Walker County, Georgia, and with our consideration of Walker County, Georgia's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the fiscal year ended September 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, and/or earmarking requirements; and reporting that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Walker County, Georgia's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Walker County, Georgia had not complied, in all material respects, with those requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with those requirements.

This report is intended for the information of management and the U.S. Bureau of the Census. However, this report is a matter of public record and its distribution is not limited.

December 17, 1996 ✓

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
FEDERAL FINANCIAL ASSISTANCE

To the Commissioner
Walker County, Georgia

We have audited the general purpose financial statements of Walker County, Georgia, as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984. These general purpose financial statements are the responsibility of Walker County, Georgia management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements of Walker County, Georgia, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

December 17, 1996

Burk, Huggins & Co.

WALKER COUNTY, GEORGIA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 1996

	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS' NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Agriculture -</u>					
Passed through State Department of Human Resources - State Administration Matching Grants for Food Stamp Program	10.561	93-208346	\$19,500	\$19,500	\$19,500
Passed through State Department of Soil Conservation Service - Forest Services - School and Roads Grants to State	10.665	N/A	8,923	8,923	8,923
Direct Program - Soil and Water Conservation	10.902	65-4310- 111	6,525	6,525	6,525
<u>Total U.S. Department of Agriculture</u>			<u>\$34,948</u>	<u>\$34,948</u>	<u>\$34,948</u>
<u>U.S. Department of Interior -</u>					
Passed through State Department of Natural Resources - Natural Park Service - Historic Preservation Funds Grant-in-Aid	15.904	N/A	\$8,250	\$2,287	\$2,287
<u>U.S. Department of Justice -</u>					
Passed through State Criminal Justice Coordinating Council - Drug Control and System Improvement Formula Grant	16.579	DCSI- 94-28 95-27 96-27	\$392,546	\$200,095	\$200,095
Passed through State Criminal Justice Coordinating Council - Drug Control and System Improvement - Discretionary Grant	16.580	DCSI- 95-91 96-91	85,500	47,837	47,837
<u>Direct Program -</u>					
Office of Community Oriented Policing Services - COPS Grant	16.710	96DVWX 0285	172,037	1,157	1,157
Office of Community Oriented Policing Services - COPS Fast Grant	16.726	N/A	130,900	40,224	40,224
<u>Total U.S. Department of Justice</u>			<u>\$780,983</u>	<u>\$289,313</u>	<u>\$289,313</u>

WALKER COUNTY, GEORGIA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 1996

	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTORS' NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Transportation -</u>					
Passed through State Department of Transportation -					
Urban Mass Transportation Administration -					
Operating Assistance Formula Grant	20.507	GA-18- 9014	\$ 40,425	\$ 40,425	\$ 40,425
Capital Improvement Assistance Grant	20.507	GA-18- 9014	<u>220,000</u>	<u>206,262</u>	<u>206,262</u>
<u>Total U.S. Department of Transportation</u>			<u>\$260,425</u>	<u>\$246,687</u>	<u>\$246,687</u>
<u>Federal Emergency Management Agency -</u>					
Passed through State Emergency Management Agency		FNMA 1071-			
Disaster Assistance	83.516	DR-GA	<u>\$126,508</u>	<u>\$126,508</u>	<u>\$126,508</u>
<u>Department of Health and Human Services -</u>					
Passed through State Department of Human Resources -					
Special Program for the Aging - Title III - Part C -					
Nutrition Services	93.635	N/A	<u>\$14,510</u>	<u>\$7,541</u>	<u>\$7,541</u>
<u>Other Federal Assistance -</u>					
Direct Programs -					
U.S. Department of the Interior - Bureau of Land Management	N/A	N/A	<u>\$11,190</u>	<u>\$11,190</u>	<u>\$11,190</u>
<u>TOTAL FEDERAL ASSISTANCE</u>				<u>\$718,474</u>	<u>\$718,474</u>

Walker County, Georgia received no major programs as defined by OMB Circular A-128.

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

To the Commissioner
Walker County, Georgia

We have audited the financial statements of Walker County, Georgia as of and for the fiscal year ended September 30, 1996, and have issued our report thereon dated December 17, 1996. In our report, our opinion was qualified because the general purpose financial statements do not include general fixed assets acquired prior to 1984. Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States as required by Section 48-8-121 of the Official Code of Georgia Annotated (OCGA).

In the conduct of our audit, we verified and tested expenditures of each project constructed or under construction which were identified in the resolution or ordinance claiming for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA. The accompanying schedules which list each identified project and information required by Section 48-8-121 OCGA present fairly the original estimated cost of each project through September 30, 1996, the end of the fiscal year covered by this audit.

December 17, 1996

Burk, Huggins & Co

WALKER COUNTY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS
ADOPTED AUGUST 17, 1987

For the Fiscal Year Ended September 30, 1996

<u>PROJECT</u>	<u>ORIGINAL ESTIMATED COST</u>	<u>EXPENDITURES</u>			<u>ESTIMATED PERCENTAGE OF COMPLETION</u>
		<u>PRIOR YEARS</u>	<u>CURRENT PERIOD</u>	<u>TOTAL</u>	
Public Auditorium and Senior Citizens Center	\$ 700,000	\$1,743,438	\$ -0-	\$1,743,438	100
Parking Garage	400,000	-0-	-0-	-0-	0
Water Plant Storage Tank	540,000	524,409	-0-	524,409	100
Fire Protection Program	125,000	130,761	-0-	130,761	100
Wastewater Treatment Program	2,413,200	409,867	-0-	409,867	100
Lateral and Interceptor Sewer Projects	8,235,000	9,961,651	-0-	9,961,651	100
Wastewater Treatment Works	612,400	405,391	-0-	405,391	100
Fire Hydrants and Water Line Installation	42,800	38,000	-0-	38,000	100
Recreational Facility	300,000	300,000	-0-	300,000	100
Renovation of Town Creek Interceptor Sewer Line and Improvements to City of LaFayette Wastewater Treatment Works	1,602,800	675,857	30,000	705,857	44
Construct and Renovate City of Rossville Sewer Lines	<u>1,028,800</u>	<u>785,149</u>	<u>13,480</u>	<u>798,629</u>	78
<u>TOTALS</u>	<u>\$16,000,000</u>	<u>\$14,974,523</u>	<u>\$43,480</u>	<u>\$15,018,003</u>	

WALKER COUNTY, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED
WITH SPECIAL PURPOSE LOCAL OPTION
SALES TAX PROCEEDS
ADOPTED APRIL 27, 1993

For the Fiscal Year Ended September 30, 1996

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			ESTIMATED PERCENTAGE OF COMPLETION
		PRIOR YEARS	CURRENT PERIOD	TOTAL	
<u>Fire Station Bldg.</u>					
<u>and Equipment -</u>					
Walker County	\$ 1,200,000	\$ 693,368	\$ 469,860	\$1,163,228	97
City of Rossville	150,000	-0-	-0-	-0-	0
City of Chickamauga	50,000	42,879	25,778	68,657	100
<u>Sewer Projects -</u>					
<u>Interceptor Sewer Lines -</u>					
Hwy. 27 and adjacent areas	4,700,000	1,678,378	826,739	2,505,117	100
City of LaFayette	1,600,150	-0-	-0-	-0-	0
City of Rossville	436,250	-0-	-0-	-0-	0
City of Lookout Mtn.	466,150	53,348	20,355	73,703	15
City of Ft. Oglethorpe	69,300	-0-	-0-	-0-	0
<u>Recreational Facilities -</u>					
LaFayette Athletic Complex	2,500,000	305,117	264,769	569,886	20
Chattanooga Valley Gymnasium	800,000	-0-	-0-	-0-	0
Rossville Gymnasium	1,200,000	-0-	-0-	-0-	0
City of LaFayette	500,000	-0-	500,000	500,000	100
City of Rossville	50,000	-0-	50,000	50,000	100
City of Chickamauga	30,000	15,573	14,126	29,699	99
City of Lookout Mtn.	50,000	-0-	43,449	43,449	85
<u>Walker County -</u>					
Water Treatment Plant	1,000,000	-0-	350,000	350,000	35
Landfill Equipment	400,000	212,592	-0-	212,592	100
Courthouse Renovation	900,000	20,175	1,370	21,545	1
Jail Expansion	800,000	264,476	434,735	699,211	99
<u>Senior Citizens Center -</u>					
City of Rossville	500,000	23,617	-0-	23,617	5
City of Chickamauga	60,000	47,297	42,507	89,804	100
<u>City of Chickamauga</u>					
Water Project	538,150	108,751	77,589	186,340	40
Totals	\$18,000,000	\$3,465,571	\$3,121,277	\$6,586,848	

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February 24, 1997

RECEIVED
FEB 28 1997

DEPT. OF AUDITS

Ms. Amie Sakmar
Georgia Department of Audits and Accounts
254 Washington Street, S.W., Suite 322
Atlanta, GA 30334-8400

Re: Walker County, Georgia

Dear Ms Sakmar:

In response to your fax to us on February 14, 1997, regarding the audit report of Walker County, Georgia, we have enclosed a corrected copy of the audit report which includes the "Single Audit Report on Compliance with Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions" on page 51.

If any additional information is required, please contact us.

Sincerely yours,

Barry R Huggins

Certified Public Accountant

BRH:jm

Enclosure