

WALKER COUNTY, GEORGIA

LaFayette, Georgia

**ANNUAL FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2012

JOHNSON, HICKEY & MURCHISON, P.C.

Certified Public Accountants
Chattanooga, Tennessee

TABLE OF CONTENTS

	<u>P a g e</u>
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	iii-iv
MANAGEMENT'S DISCUSSION AND ANALYSIS	v-xiii
BASIC FINANCIAL STATEMENTS	
GOVERNMMENT WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	1
Statement of Activities	2
FUND FINANCIAL STATEMENTS:	
Governmental Funds –	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Proprietary Funds –	
Statement of Net Assets	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets	8
Statement of Cash Flows	9
Fiduciary Funds –	
Statement of Fiduciary Net Assets	10
Statement of Changes in Fiduciary Net Assets	11
NOTES TO THE BASIC FINANCIAL STATEMENTS	12
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	39
Budgetary Comparison Schedule – Fire and Rescue Fund	43
Schedule of Funding Progress – Retirement Plan	44
Schedule of Employer Contributions – Retirement Plan	45
Notes to Required Supplementary Information	46
SUPPLEMENTARY INFORMATION:	
Combining Financial Statements – Nonmajor Governmental - Special Revenue Funds	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	49

TABLE OF CONTENTS

	<u>P a g e</u>
SUPPLEMENTARY INFORMATION (Continued):	
Agency Funds -	
Combining Statement of Fiduciary Assets and Liabilities	50
Combining Statement of Changes in Assets and Liabilities	51
Statement of Changes in Assets and Liabilities – Tax Commissioner	52
Statement of Changes in Assets and Liabilities – Clerk of Courts	53
Statement of Changes in Assets and Liabilities – Probate Judge	54
Statement of Changes in Assets and Liabilities – Magistrate Judge	55
Statement of Expenditures to Budget – Family Connection Program	56
Budgetary Comparison Schedules:	
E911	57
Law Library	58
Multiple Grant Fund	59
Court Supervision	60
Connection	61
Transportation	62
COMPLIANCE:	
Federal Compliance and Internal Control Reports –	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	64
Independent Auditors’ Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	66
Schedule of Expenditures of Federal Awards	68
Summary Schedule of Prior Audit Findings and Questioned Costs	70
Schedule of Findings and Questioned Costs	71
State Compliance –	
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax Proceeds	73
CORRECTIVE ACTION PLAN	74



INDEPENDENT AUDITORS' REPORT

**Commissioner
Walker County, Georgia
LaFayette, Georgia:**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2012, which collectively comprise Walker County, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Walker County, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit, Walker County Health Department, which represents 100 percent of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Walker County Health Department, is based on the report of the other auditors.

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

In our opinion, and based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of Walker County, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page v through xiii and 39 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Walker County, Georgia's basic financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Schedule of Projects constructed with Special Purpose Local Option Sales Tax proceeds as required by Georgia code section OCGA 48-8-121 are also not a required part of the basic financial statements of Walker County, Georgia. The schedule of grant activities on page 56, the schedule of expenditures of federal awards, and the Schedule of Projects constructed with Special Purposes Local Option Sales Tax proceeds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Johnson, Nicky & Menckem, P.C.

March 27, 2013
Chattanooga, Tennessee

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Walker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2012. Please read it in conjunction with the County's financial statements which follow this analysis.

FINANCIAL HIGHLIGHTS

- The assets of Walker County exceeded its liabilities at September 30, 2012 by \$83,499,671 (Net Assets), an increase of \$823,351 from the prior year. Of this amount, \$6,025,349 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- In the County's business-type activities, operating expenses exceeded revenues by \$563,167. Revenues were insufficient to recoup costs largely due to high depreciation expense and accrued postclosure costs in the landfill. An operating transfer from the general fund was made to cover most of the loss.
- The County's governmental activities reported combining ending net assets of \$79,777,520, a decrease of \$2,060,959 over the prior year net assets. Of this amount, \$7,444,628 remains in the various funds as unrestricted.
- Debt decreased by \$725,423. This was primarily due to a bond payment of \$3,782,240, a net increase in leases of \$2,715,470, retirement of a tax anticipation note for \$1,500,000 and the addition of a tax anticipation note for \$1,650,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 3. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as trustee or agent for the benefit of those outside the government.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

These two statements report the County's net assets and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Business-type activities – The County charges fees to customers to cover the cost of operations for its enterprise funds. The county maintains two enterprise funds. The landfill maintains the County transfer station, the construction and demolition landfill, and the solid waste landfill, which was closed in 1998. Under federal guidelines, the County must maintain the solid waste landfill for 30 years after it is closed. The special facilities fund operates the Mountain Cove convention and recreation area. It is being developed to host weddings, small conventions and for leisure outings.

Component unit – The County includes the following separate entity in its report – Walker County Health Department. Although legally separate, this "component unit" is included because the County is financially accountable and provides operating and capital funding as well as oversight. The Health Department has a June 30 year end. Complete financial statements of the Health Department can be obtained from their office: 603 E. Villanow St., LaFayette, Georgia 30728.

FUND FINANCIAL STATEMENTS

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

The County has three kinds of funds:

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

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

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

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

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's schedule of budgetary

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

comparisons, progress in funding its obligation to provide pension benefits to its employees, and employer pension contributions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. At the end of the current fiscal year, the County's assets exceeded liabilities by \$83,499,671. This excess is divided into three net asset categories. Investment in capital assets less any outstanding debt used to acquire these assets that is still outstanding is one of the components of net assets. Walker County uses these assets to provide service to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Restricted for SPLOST projects indicates the fund balance that was generated by SPLOST. The use of these funds are restricted to projects that were selected prior to the vote to adopt SPLOST. The other component is unrestricted net assets. The amount in this category normally represents amounts that may be used to meet the ongoing obligations to its citizens and creditors. The balance at September 30, 2012, is \$6,025,349 which may be used to meet the County's ongoing obligations.

Net Assets
September 30, 2012 and 2011

	Governmental Activities		Business -type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 19,476,964	\$ 19,414,889	\$ 152,403	\$ 72,647	\$ 19,629,367	\$ 19,487,536
Capital assets	84,134,340	87,054,871	5,294,658	2,493,903	89,428,998	89,548,774
Total assets	\$ 103,611,304	\$ 106,469,760	\$ 5,447,061	\$ 2,566,550	\$ 109,058,365	\$ 109,036,310
Liabilities						
Long-term liabilities	\$ 21,880,525	\$ 23,036,819	\$ 1,722,111	\$ 1,291,242	\$ 23,602,636	\$ 24,328,061
Other liabilities	1,953,259	1,594,462	2,799	2,522	1,956,058	1,596,984
Total liabilities	\$ 23,833,784	\$ 24,631,281	\$ 1,724,910	\$ 1,293,764	\$ 25,558,694	\$ 25,925,045
Net assets						
Invested in capital assets, net of related debt	\$ 66,839,972	\$ 68,534,609	\$ 5,141,430	\$ 2,493,903	\$ 71,981,402	\$ 71,028,512
Restricted for SPLOST projec	5,492,920	5,529,403			5,492,920	5,529,403
Unrestricted	7,444,628	7,774,467	(1,419,279)	(1,656,062)	6,025,349	6,118,405
Total net assets	\$ 79,777,520	\$ 81,838,479	\$ 3,722,151	\$ 837,841	\$ 83,499,671	\$ 82,676,320

Net assets of the County's governmental activities decreased by \$2,060,959 while the net assets of the business type activities increased by \$2,884,310. The County's two business activities are the Walker County Landfill and the Special Facilities recreation area. The landfill operated at a loss due to closure and depreciation expense while the Special Facilities had a loss due to the fact that the buildings on the property are undergoing renovation prior to being rented out

Walker County's overall revenue was up 5% in 2012 compared to 2011. Property tax revenue decreased 3%, and sales tax revenue increased 4%. Approximately 31% of the County's total revenue from governmental activities came from sales tax and 22% from property tax. Charges for services amounted to about 23% of governmental revenue with grants and contributions contributing approximately 8%.

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's largest expenditures are for Public Safety (26%), Sheriff (22%), Public Works (16%), Health and welfare (8%) and Judicial (9%) of total governmental expenses.

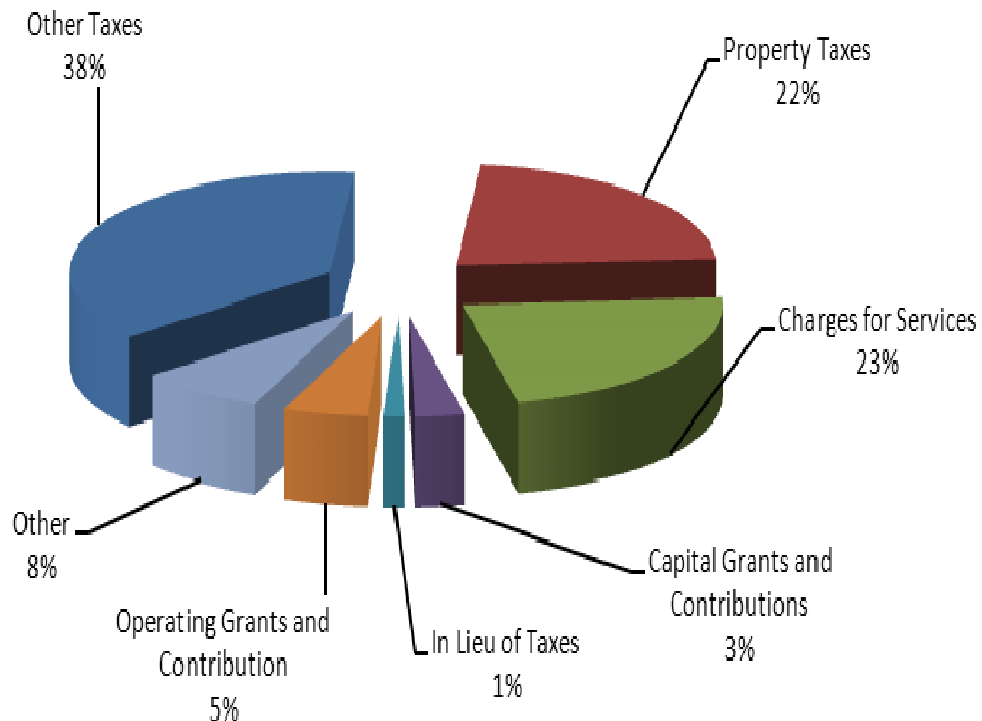
Changes in Net Assets
For the Years Ended September 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,878,037	\$ 7,893,792	\$ 1,609,312	\$ 1,326,309	\$ 9,487,349	\$ 9,220,101
Operating Grants & Contributions	1,828,196	3,277,328			1,828,196	3,277,328
Capital Grants & Contributions	1,061,999	267,243			1,061,999	267,243
General Revenues:						
Property Taxes	7,822,289	8,079,753			7,822,289	8,079,753
Other Taxes	12,847,589	12,307,615			12,847,589	12,307,615
Other	3,402,742	1,427,822	-		3,402,742	1,427,822
Total Revenues	\$ 34,840,852	\$ 33,253,553	\$ 1,609,312	\$ 1,326,309	\$ 36,450,164	\$ 34,579,862
Expenses:						
General government	\$ 3,717,915	\$ 3,609,340			\$ 3,717,915	\$ 3,609,340
Judicial	2,920,316	2,719,499			2,920,316	2,719,499
Sheriff	7,254,899	7,180,274			7,254,899	7,180,274
Public Safety	8,588,094	8,577,054			8,588,094	8,577,054
Public Works	5,240,765	6,533,615			5,240,765	6,533,615
Health and Welfare	2,792,517	3,674,187			2,792,517	3,674,187
Recreation and Culture	1,109,196	746,983	113,859		1,223,055	746,983
Housing and Development	528,470	455,423			528,470	455,423
Intergovernment Payments	657,545	695,945			657,545	695,945
Interest on Long Term Debt	641,143	707,579			641,143	707,579
Solid Waste			2,062,094	2,205,273	2,062,094	2,205,273
Total Expenses	\$ 33,450,860	\$ 34,899,899	\$ 2,175,953	\$ 2,205,273	\$ 35,626,813	\$ 37,105,172
Increase (decrease) in net assets before transfers	1,389,992	(1,646,346)	(566,641)	(878,964)	823,351	(2,525,310)
Transfers	(3,450,951)	(296,331)	3,450,951	296,331		
Increase (decrease) in net assets	(2,060,959)	(1,942,677)	2,884,310	(582,633)	823,351	(2,525,310)
Net assets - October 1	81,838,479	83,781,156	837,841	1,420,474	82,676,320	85,201,630
Net assets - September 30	\$ 79,777,520	\$ 81,838,479	\$ 3,722,151	\$ 837,841	\$ 83,499,671	\$ 82,676,320

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

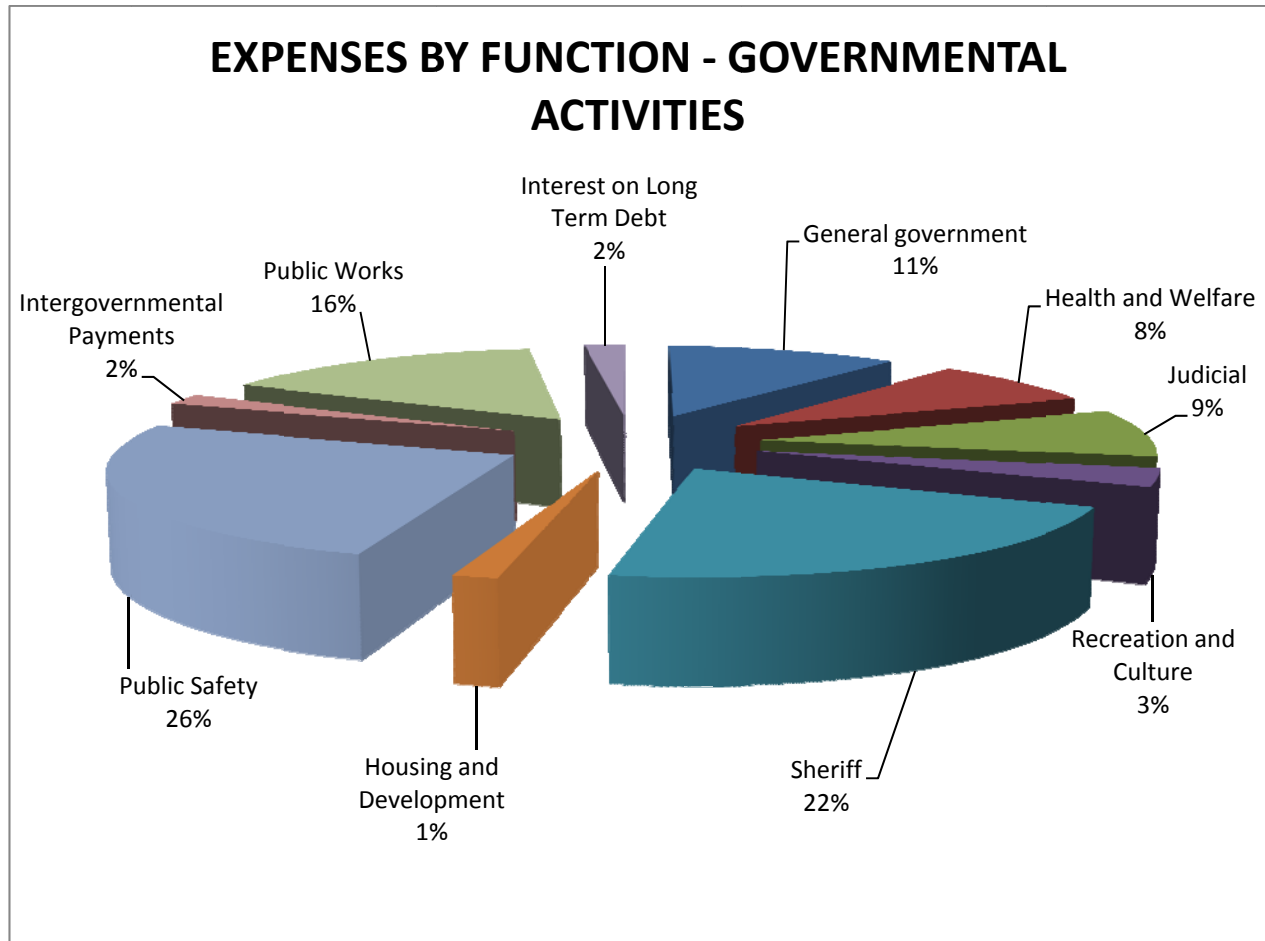
Total government wide revenue of \$36,450,164 was comprised of governmental activities (\$34,840,852) and business type activities (\$1,609,312). The following chart illustrates the distribution of the governmental revenue. The revenue of the business type activity was almost solely charges for services. The predominate source of revenue is the other tax category which is primarily Local Option Sales Tax, Special Purpose Local Option Sales Tax and business taxes. Special Purpose Local Option Sales Tax revenue which totaled \$5,628,197 is specifically earmarked and cannot be used to finance the normal operations of the county.

REVENUE BY SOURCE FOR GOVERNMENTAL ACTIVITIES



WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide expenses totaled \$35,626,813 for fiscal year 2012, including governmental activity expense of \$33,450,860 and business type activity expense of \$2,175,953. The following chart provides a visual depiction of expenditures of the governmental activities by function for fiscal year 2012.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

As the County completed the year, its governmental funds reported a combined fund balance of \$10,162,326. All but \$3,714,677 constitutes restricted fund balance. The remainder of fund balance is unassigned to indicate that it is available for spending. The restricted fund balance represents funds that are subject to externally enforceable legal restrictions.

The general fund is the chief operating fund of Walker County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,714,677. The unassigned fund balance increased by \$34,183 during the

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

current year. This increase included a sale of water lines for \$2,500,000 while operating transfers of \$2,884,828 were made to supplement operations of other funds. Among the operating transfers were \$1,583,440 to fire and rescue, \$109,908 to E911, \$363,080 to county transportation system, \$175,312 to landfill, \$497,926 to Special Facilities and \$364,231 required by federal and/or state grants as the County's matching share.

The focus of the fund financial statements is on major funds which generally represent the government's most important funds. Non-major funds are aggregated and presented in single columns. The major funds, other than the general fund, of Walker County and their fund balances at year-end are: Fire and Rescue, \$549,792 and SPLOST 2008 with \$5,492,920. The fund balance in Fire and Rescue increased by \$145,525 due to a large adjustment for uncollected accounts receivable and a large operating transfer from the general fund. The fund balance in SPLOST 2008 decreased by \$36,483 due to bond payments made in excess of taxes collected.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The county adopted a final budget after the end of the fiscal year. This amendment was primarily to account for the General Fund actual revenues exceeding budgeted revenues by \$557,849 and fund actual expenditures and other financing uses exceeding budgeted expenditures by \$597,082. The excess of revenues over budgeted revenues was primarily due to the following revenue categories where actual taxes exceeded budgeted revenues by \$719,348 and fine and forfeiture revenue was less than budgeted by \$189,570. The county does not normally budget for contributions unless it is certain that the contribution will be made and the amount is determinable.

The excess of expenditures over budgeted expenditures was due largely to the road department's operating expenditures being in excess of the budgeted amount and the fire department and ambulance service requiring a large operating transfer due to the inability of collecting sufficient revenue to cover operating expense.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The County's investment in capital assets for its governmental funds as of September 30, 2012 totals \$84,134,340 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. The County's investment in capital assets in the governmental funds for the current fiscal year decreased by \$2,920,531, net of accumulated depreciation despite the purchase of assets costing \$3,973,900. This was comprised primarily of depreciation expense of \$4,114,691 and a transfer of land and building, valued at \$2,777,713 to the Special Facilities enterprise fund of the county.

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

- Purchase of fire trucks and equipment
- Purchase of 5 buses for transportation system
- Purchases under capital leases for:
 - Communication equipment for E911 operations
 - Truck for Fire department
 - Equipment for landfill
- Sale of water lines to the Water & Sewer Authority
- Transfer of land and building to the Special Facilities fund, an enterprise fund of the county

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets at Year-end
September 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land	\$ 2,597,299	\$ 4,540,583	\$ 1,943,284		\$ 4,540,583	\$ 4,540,583
Building					-	-
Construction in progress	1,893,769	362,663	49,969		1,943,738	362,663
					-	-
Depreciable assets:						
Buildings and improvements	22,713,331	23,585,781	1,431,554	306,771	24,144,885	23,892,552
Machinery and equipment	24,628,228	22,302,393	2,002,845	1,711,072	26,631,073	24,013,465
Infrastructure	95,181,891	95,083,177			95,181,891	95,083,177
C&D Landfill			4,985,021	4,832,721	4,985,021	4,832,721
Total	147,014,518	145,874,597	10,412,673	6,850,564	157,427,191	152,725,161
Less: accumulated depreciation	(62,880,178)	(58,819,726)	(5,118,015)	(4,791,606)	(67,998,193)	(63,611,332)
Net capital assets	\$ 84,134,340	\$ 87,054,871	\$ 5,294,658	\$ 2,058,958	\$ 89,428,998	\$ 89,113,829

Additional information on the County's capital assets can be found in Note 4 to the financial statements in this report.

Debt – At the end of the current fiscal year, the County had total debt outstanding of \$23,602,636. This consisted of general obligation bonds, lease obligations, a tax anticipation note, landfill closure and postclosure costs and compensated absences.

Outstanding Debt at Year End
September 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 12,881,817	\$ 16,664,057			\$ 12,881,817	\$ 16,664,057
Lease Obligations	4,234,384	1,672,142	153,228	-	4,387,612	1,672,142
Notes Payable	1,650,000	1,500,000			1,650,000	1,500,000
Compensated Absences	706,316	724,214	8,674	10,319	714,990	734,533
Landfill Closure Costs	2,408,008	2,476,404	1,560,209	1,280,923	3,968,217	3,757,327
Totals	\$ 21,880,525	\$ 23,036,817	\$ 1,722,111	\$ 1,291,242	\$ 23,602,636	\$ 24,328,059

WALKER COUNTY, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional information on the County's debt can be found in Note 8 to the financial statements in this report.

ECONOMIC FACTORS AND THE 2012 BUDGET

- Local Option Sales Tax rose by 4% after having decreased or remained static for several years.
- The property tax digest continues to shrink. It decreased by \$34,878,871 in FY12. The gross millage rate increased 0.165 mills; however, after the rollback of sales tax and the insurance premium tax the millage rate for the unincorporated areas remained unchanged from the prior year while the millage rate for the incorporated areas decreased by .001 mills.
- The unemployment rate for the County was at 8.3%, less than the state's rate of 8.7%

Walker County adopted its fiscal year 2012 budget December 29, 2011. The General Fund budget was adopted on the assumption that revenues would closely follow those of FY2011 except for a one time increase due to sale of assets to the Water & Sewer Authority.

REQUESTS FOR INFORMATION

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

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Unit Health Department
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 1,401,010	\$ 17,475	\$ 1,418,485	\$ 990,334
Restricted cash	855,327	-	855,327	-
Investments	4,522,445	-	4,522,445	-
Taxes receivable	6,667,603	-	6,667,603	-
Accounts receivable	853,231	86,589	939,820	-
Due from (to) other funds	(48,339)	48,339	-	-
Due from other governments	4,705,814	-	4,705,814	189,528
Inventory	-	-	-	1,294
Prepaid expenses	267,746	-	267,746	-
Deferred charges	252,127	-	252,127	-
Land and other nondepreciable assets	4,491,068	1,993,253	6,484,321	-
Other capital assets, net of accumulated depreciation	79,643,272	3,301,405	82,944,677	7,975
Total assets	<u>103,611,304</u>	<u>5,447,061</u>	<u>109,058,365</u>	<u>1,189,131</u>
LIABILITIES:				
Accounts payable and accrued expenses	1,455,302	2,799	1,458,101	1,779
Due to other governments	124,856	-	124,856	223
Due to heirs, litigants and others	172,028	-	172,028	-
Deferred revenue	22,906	-	22,906	-
Accrued interest payable	178,167	-	178,167	-
Long-term liabilities -				
Due within one year:				
Bonds payable	4,115,114	-	4,115,114	-
Capital leases	475,427	34,302	509,729	-
Notes payable	1,650,000	-	1,650,000	-
Compensated absences	381,729	8,674	390,403	-
Landfill closure and postclosure care costs	120,400	-	120,400	-
Due greater than one year:				
Bonds payable	8,766,703	-	8,766,703	-
Capital leases	3,758,957	118,926	3,877,883	-
Compensated absences	324,587	-	324,587	65,072
Landfill closure and postclosure care costs	2,287,608	1,560,209	3,847,817	-
Total liabilities	<u>23,833,784</u>	<u>1,724,910</u>	<u>25,558,694</u>	<u>67,074</u>
NET ASSETS:				
Invested in capital assets, net of related debt	66,839,972	5,141,430	71,981,402	7,975
Restricted for SPLOST projects	5,492,920	-	5,492,920	-
Unrestricted	7,444,628	(1,419,279)	6,025,349	1,114,082
Total net assets	<u>\$ 79,777,520</u>	<u>\$ 3,722,151</u>	<u>\$ 83,499,671</u>	<u>\$ 1,122,057</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Service	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Primary Government			Component Unit	
					Governmental Activities	Business-Type Activities	Total		
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	\$ 3,717,915	\$ 906,142	\$ 4,403	\$ -	\$ (2,807,370)	\$ -	\$ (2,807,370)	\$ -	
Judicial	2,920,316	1,459,716	93,295	-	(1,367,305)	-	(1,367,305)	-	
Sheriff	7,254,899	242,266	14,308	15,571	(6,982,754)	-	(6,982,754)	-	
Public safety	8,588,094	5,146,021	32,944	836,278	(2,572,851)	-	(2,572,851)	-	
Public works	5,240,765	-	54,531	-	(5,186,234)	-	(5,186,234)	-	
Health and welfare	2,792,517	95,374	1,628,715	210,150	(858,278)	-	(858,278)	-	
Culture and recreation	1,109,196	28,518	-	-	(1,080,678)	-	(1,080,678)	-	
Housing and development	528,470	-	-	-	(528,470)	-	(528,470)	-	
Intergovernmental payments	657,545	-	-	-	(657,545)	-	(657,545)	-	
Interest	641,143	-	-	-	(641,143)	-	(641,143)	-	
Total governmental activities	33,450,860	7,878,037	1,828,196	1,061,999	(22,682,628)	-	(22,682,628)	-	
Business-type activities:									
Landfill	2,062,094	1,593,940	-	-	-	(468,154)	(468,154)	-	
Special Facilities Fund	113,859	15,372	-	-	-	(98,487)	(98,487)	-	
Total business-type activities	2,175,953	1,609,312	-	-	-	(566,641)	(566,641)	-	
Total primary government	35,626,813	9,487,349	1,828,196	1,061,999	(22,682,628)	(566,641)	(23,249,269)	-	
COMPONENT UNIT:									
Walker County Health Department	\$ 1,486,605	\$ 321,226	\$ 880,464	\$ -	-	-	-	(284,915)	
GENERAL REVENUES:									
Taxes:									
General property taxes					7,822,289	-	7,822,289	-	
General sales and use tax					10,132,886	-	10,132,886	-	
Selective sales and use taxes					299,812	-	299,812	-	
Business taxes					2,414,891	-	2,414,891	-	
Penalties and interest on delinquent taxes					253,690	-	253,690	-	
In lieu of taxes					427,216	-	427,216	-	
Payment from Walker County					-	-	-	281,295	
Unrestricted investment earnings					12,002	-	12,002	10,490	
Gain (loss) on sale of capital assets					2,497,973	-	2,497,973	-	
Miscellaneous					211,861	-	211,861	1,746	
Total general revenues					24,072,620	-	24,072,620	293,531	
TRANSFERS					(3,450,951)	3,450,951	-	-	
CHANGE IN NET ASSETS					(2,060,959)	2,884,310	823,351	8,616	
NET ASSETS:									
Beginning, as previously stated					81,838,479	1,272,786	83,111,265	1,113,441	
Prior period adjustment					-	(434,945)	(434,945)	-	
Beginning, restated					81,838,479	837,841	82,676,320	1,113,441	
Ending					\$ 79,777,520	\$ 3,722,151	\$ 83,499,671	\$ 1,122,057	

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Fire and Rescue</u>	<u>SPLOST 2008</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Cash	\$ 1,101,427	\$ 209,962	\$ -	\$ 89,621	\$ 1,401,010
Restricted cash	400,537	-	422	454,368	855,327
Investments	-	-	4,522,445	-	4,522,445
Taxes receivable	6,667,603	-	-	-	6,667,603
Accounts receivable	195,589	500,972	-	156,670	853,231
Due from other funds	384,700	-	-	7,690	392,390
Due from other governments	<u>3,318,967</u>	<u>-</u>	<u>1,077,420</u>	<u>309,427</u>	<u>4,705,814</u>
			-		
Total assets	<u>\$ 12,068,823</u>	<u>\$ 710,934</u>	<u>\$ 5,600,287</u>	<u>\$ 1,017,776</u>	<u>\$ 19,397,820</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,162,796	\$ 87,273	\$ -	\$ 205,233	\$ 1,455,302
Due to other funds	56,029	-	-	384,700	440,729
Due to other governments	17,489	-	107,367	-	124,856
Due to heirs, litigants, and others	172,028	-	-	-	172,028
Deferred revenue	5,295,804	73,869	-	22,906	5,392,579
Tax Anticipation Note	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,650,000</u>
Total liabilities	<u>8,354,146</u>	<u>161,142</u>	<u>107,367</u>	<u>612,839</u>	<u>9,235,494</u>
Fund balances:					
Restricted for -					
Fire services	-	549,792	-	-	549,792
SPLOST capital projects	-	-	5,492,920	-	5,492,920
Other special revenue	-	-	-	404,937	404,937
Unassigned	<u>3,714,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,714,677</u>
Total fund balances	<u>3,714,677</u>	<u>549,792</u>	<u>5,492,920</u>	<u>404,937</u>	<u>10,162,326</u>
Total liabilities and fund balances	<u>\$ 12,068,823</u>	<u>\$ 710,934</u>	<u>\$ 5,600,287</u>	<u>\$ 1,017,776</u>	<u>\$ 19,397,820</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances - governmental fund types \$ 10,162,326

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, in the statement of net assets the cost of these are capitalized and expensed over their estimated lives through annual depreciation expense.

Cost of capital assets	\$ 147,014,518	
Less accumulated depreciation	<u>(62,880,178)</u>	84,134,340

Some of the County's expenditures are charged directly to the statement of revenues and expenditures under the modified accrual basis of accounting. Under the full accrual basis, these expenditures are reported as prepaid. 267,746

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:

Property taxes	5,369,673
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Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - are reported in the statement of net assets.

Balances at September 30, 2012, are:

Accrued interest	(178,167)	
Bond issuance cost, net of amortization	252,127	
Bonds payable	(12,881,817)	
Capital leases	(4,234,384)	
Compensated absences	(706,316)	
Landfill closure and postclosure care costs	<u>(2,408,008)</u>	
 Total long-term liabilities		 <u>(20,156,565)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 79,777,520</u>
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WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Fire and Rescue	SPLOST 2008	Other Governmental Funds	Total Governmental Funds
REVENUES:					
General property taxes	\$ 7,934,289	\$ -	\$ -	\$ -	\$ 7,934,289
Other taxes	7,859,099	-	5,628,197	-	13,487,296
Licenses and permits	179,270	-	-	-	179,270
Intergovernmental	427,216	-	-	2,885,793	3,313,009
Charges for services	787,844	4,074,126	-	1,124,577	5,986,547
Fines and forfeitures	1,429,030	-	-	30,686	1,459,716
Investment income	11,269	18	4,403	715	16,405
Contributions and donations	90,561	-	-	20,000	110,561
Rental income	75,998	-	-	-	75,998
Other	267,568	-	-	-	267,568
Total revenues	<u>19,062,144</u>	<u>4,074,144</u>	<u>5,632,600</u>	<u>4,061,771</u>	<u>32,830,659</u>
EXPENDITURES:					
Current -					
General government	3,491,551	-	2,400	-	3,493,951
Judicial	2,716,046	-	-	140,199	2,856,245
Sheriff	6,723,033	-	-	26,141	6,749,174
Public safety	875,109	6,213,842	-	3,548,071	10,637,022
Public works	3,320,666	-	-	76,846	3,397,512
Health and welfare	562,539	-	-	2,302,024	2,864,563
Culture and recreation	367,736	-	-	98,023	465,759
Housing and development	506,788	-	-	-	506,788
Capital outlay	-	-	744,375	-	744,375
Debt service -					
Principal	53,737	790,807	3,755,000	-	4,599,544
Interest	99,344	65,172	509,763	-	674,279
Intergovernmental	-	-	657,545	-	657,545
Total expenditures	<u>18,716,549</u>	<u>7,069,821</u>	<u>5,669,083</u>	<u>6,191,304</u>	<u>37,646,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>345,595</u>	<u>(2,995,677)</u>	<u>(36,483)</u>	<u>(2,129,533)</u>	<u>(4,816,098)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of assets	2,500,000	-	-	-	2,500,000
Proceeds from capital lease	-	1,766,831	-	1,639,955	3,406,786
Transfers from other funds	-	1,583,440	-	837,219	2,420,659
Transfers to other funds	(2,884,828)	(209,069)	-	-	(3,093,897)
Total other financing sources (uses)	<u>(384,828)</u>	<u>3,141,202</u>	<u>-</u>	<u>2,477,174</u>	<u>5,233,548</u>
NET CHANGE IN FUND BALANCES	<u>(39,233)</u>	<u>145,525</u>	<u>(36,483)</u>	<u>347,641</u>	<u>417,450</u>
FUND BALANCES:					
Beginning	<u>3,753,910</u>	<u>404,267</u>	<u>5,529,403</u>	<u>57,296</u>	<u>9,744,876</u>
Ending	<u>\$ 3,714,677</u>	<u>\$ 549,792</u>	<u>\$ 5,492,920</u>	<u>\$ 404,937</u>	<u>\$ 10,162,326</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2012

Net changes in fund balances - total governmental funds		\$ 417,450
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. Capital outlay for the period was \$3,973,901 and the related depreciation expense was \$4,114,691.		(140,790)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) decreases net assets.		(2,027)
Property taxes not reported as revenue under the modified accrual basis, but susceptible to accrual in the statement of net assets.		
Deferred at 9/30/12	5,295,804	
Deferred at 9/30/11	<u>(5,793,821)</u>	(498,017)
Fire fees reported as revenue under the modified accrual basis, but susceptible to accrual in the statement of net assets.		10,237
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond principal payments	3,755,000	
Amortization of bond premiums	(74,293)	
Amortization of bond issuance cost	27,240	
Capital lease proceeds	(3,406,786)	
Capital lease obligation payments	<u>844,544</u>	
		1,145,705
Contribution of capital assets to enterprise funds that are reported as business-type activities in the government-wide statements.		(2,777,713)
Expenditures recognized under the modified accrual basis of accounting for governmental funds, but recorded as prepaid expenses under the accrual basis.		27,630
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
Compensated absences		(317,726)
Accrued interest		5,896
Landfill closure and postclosure care costs		<u>68,396</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (2,060,959)</u>
(The accompanying notes are an integral part of these statements.)		

WALKER COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-Type Activities		
	Major Enterprise		
	Funds		
		Special	Total
	Landfill	Facilities	Enterprise
	Fund	Funds	
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash	\$ 417	\$ 17,058	\$ 17,475
Receivables, net of allowances	86,589	-	86,589
Due from other funds	48,339	-	48,339
Total current assets	<u>135,345</u>	<u>17,058</u>	<u>152,403</u>
NONCURRENT ASSETS:			
Capital assets, net	<u>2,134,145</u>	<u>3,160,513</u>	<u>5,294,658</u>
Total noncurrent assets	<u>2,134,145</u>	<u>3,160,513</u>	<u>5,294,658</u>
Total assets	<u>2,269,490</u>	<u>3,177,571</u>	<u>5,447,061</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	-	419	419
Accrued expenses	2,380	-	2,380
Compensated absences	8,674	-	8,674
Capital lease payable	34,302	-	34,302
Total current liabilities	<u>45,356</u>	<u>419</u>	<u>45,775</u>
LONG-TERM LIABILITIES:			
Capital lease payable	118,926	-	118,926
Landfill closure and postclosure care costs	<u>1,560,209</u>	<u>-</u>	<u>1,560,209</u>
Total long-term liabilities	<u>1,679,135</u>	<u>-</u>	<u>1,679,135</u>
Total liabilities	<u>1,724,491</u>	<u>419</u>	<u>1,724,910</u>
NET ASSETS:			
Invested in capital assets	1,980,917	3,160,513	5,141,430
Unrestricted	<u>(1,435,918)</u>	<u>16,639</u>	<u>(1,419,279)</u>
Total net assets	<u>\$ 544,999</u>	<u>\$ 3,177,152</u>	<u>\$ 3,722,151</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities		
	Major Enterprise		
	Funds		
	Special	Total	
	Facilities	Enterprise	
	Fund	Funds	
	Landfill		
OPERATING REVENUES:			
Charges for services	\$ 1,593,940	\$ 15,372	\$ 1,609,312
OPERATING EXPENSES:			
Salaries	423,669	42,707	466,376
Employee benefits	131,342	10,486	141,828
Purchased services	559,182	4,670	563,852
Landfill closure/postclosure care costs	279,286	-	279,286
Professional fees	154,746	100	154,846
Repairs and maintenance	165,068	4,610	169,678
Depreciation	256,581	21,162	277,743
Supplies	88,746	30,124	118,870
Total expenses	2,058,620	113,859	2,172,479
OPERATING LOSS	(464,680)	(98,487)	(563,167)
NONOPERATING REVENUES (EXPENSES):			
Interest expense on capital leases	(3,474)	-	(3,474)
CAPITAL CONTRIBUTION	-	2,777,713	2,777,713
TRANSFERS IN	175,312	497,926	673,238
CHANGE IN NET ASSETS	(292,842)	3,177,152	2,884,310
NET ASSETS:			
Beginning, as previously reported	1,272,786	-	1,272,786
Prior period adjustment	(434,945)	-	(434,945)
Beginning, as restated	837,841	-	837,841
Ending	\$ 544,999	\$ 3,177,152	\$ 3,722,151

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	Business-Type Activities		
	Major Enterprise Funds		
	Landfill	Special Facilities Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,531,242	\$ 15,372	\$ 1,546,614
Payments to suppliers	(967,742)	(39,085)	(1,006,827)
Payments to employees	(556,798)	(53,193)	(609,991)
Net cash provided (used) by operating activities	6,702	(76,906)	(70,204)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	175,312	497,926	673,238
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(156,778)	(403,962)	(560,740)
Principal paid on capital lease obligations	(21,762)	-	(21,762)
Interest paid on capital lease obligations	(3,474)	-	(3,474)
Net cash used by capital and related financing activities	(182,014)	(403,962)	(585,976)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
NET CHANGE IN CASH	-	17,058	17,058
CASH AND CASH EQUIVALENTS			
Beginning	417	-	417
Ending	<u>\$ 417</u>	<u>\$ 17,058</u>	<u>\$ 17,475</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (464,680)	\$ (98,487)	\$ (563,167)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities -			
Depreciation	256,581	21,162	277,743
Provisions for losses on accounts receivable	5,000	-	5,000
Landfill closure/postclosure care costs	279,286	-	279,286
Changes in assets and liabilities -			
Increase in accounts receivable	(19,359)	-	(19,359)
Increase in due to/from other funds	(48,339)	-	(48,339)
Increase in accounts payable	-	419	419
Decrease in accrued expenses	(1,787)	-	(1,787)
Net cash provided (used) by operating activities	<u>\$ 6,702</u>	<u>\$ (76,906)</u>	<u>\$ (70,204)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital assets purchased with capital lease	\$ 174,990	\$ -	\$ 174,990
Capital contribution from the general fund	<u>\$ -</u>	<u>\$ 2,777,713</u>	<u>\$ 2,777,713</u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
ASSETS:		
Cash	\$ -	\$ 1,667,321
Investments, at fair value:		
Guaranteed fixed income account	3,827,117	-
Mutual funds	<u>2,742,149</u>	<u>-</u>
 Total assets	 <u>6,569,266</u>	 <u>1,667,321</u>
 LIABILITIES:		
Accounts payable	-	4,724
Due to other governments	-	629,082
Due to heirs, litigants, and others	<u>-</u>	<u>1,033,515</u>
 Total liabilities	 <u>-</u>	 <u>1,667,321</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 6,569,266</u></u>	 <u><u>\$ -</u></u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Pension Trust Fund</u>
ADDITIONS:	
Employer contributions	\$ 960,000
Investment appreciation in fair value of investments	595,838
Less investment expense	<u>61,117</u>
Net appreciation in fair value of investments	<u>534,721</u>
Total additions	<u>1,494,721</u>
DEDUCTIONS:	
Benefits	224,647
Insurance premiums	<u>28,114</u>
Total deductions	<u>252,761</u>
NET INCREASE IN PLAN NET ASSETS	1,241,960
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning	<u>5,327,306</u>
Ending	<u><u>\$ 6,569,266</u></u>

(The accompanying notes are an integral part of these statements.)

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity –

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

Discretely Presented Component Unit –

The Walker County Health Department, an entity legally separate from the County, is governed by a seven-member board which includes the Commissioner of Walker County and several members appointed jointly by the area government's governing bodies. For financial reporting purposes, the Health Department is reported as if it were part of the County's operations because its purpose is to provide health care services and health education to the citizens of the County. Complete financial statements of the Health Department can be obtained from their office: 603 E. Villanow St., LaFayette, Georgia, 30728

Related Organizations –

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

Walker County Water and Sewerage Authority:

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

Walker County Board of Education:

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

Walker County Department of Family and Children's Services:

This organization's board has been appointed solely by the County Commissioner. It is an independent unit that selects management staff, sets user charges, establishes budgets, and controls all aspects of its daily activities.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation –

Government-wide Statements:

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

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

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

Fund Financial Statements:

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

The County reports the following major governmental funds:

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation (continued) –

Fire and Rescue Fund - This fund is used to account for fees collected by the Tax Commissioner on behalf of the County that are specifically restricted to providing fire and rescue services. This fund also provides an ambulance service on a charge for service basis to all Walker County residents.

SPLOST 2008 Bond Construction Fund – This fund is used to account for the construction of numerous County projects. The advance bond issued from the 2008 special purpose local option sales tax (SPLOST) referendum, SPLOST revenues and State grant revenues are used to finance these projects.

The County reports the following major enterprise funds:

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

Special Facilities Fund - This fund accounts for the operation and maintenance of the Mountain Cove convention and recreation property which has cabins, meeting area and a kitchen available for rental to the public.

The County reports the following fund types:

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

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

Accounting Period:

All funds of Walker County, Georgia, are on fiscal year basis with the year ending September 30, 2012, except for the Health Department component unit. The component unit operates on a fiscal year ending June 30, 2012.

Measurement Focus, Basis of Accounting –

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus, Basis of Accounting (continued) –

Government-wide, Proprietary, and Fiduciary Fund Financial Statements:

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

Governmental Fund Financial Statements:

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

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

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

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

Budgetary Data –

The County Commissioner prepares a proposed budget for the upcoming fiscal year in September of the preceding fiscal year and makes it available for public inspection at the county courthouse. After two public hearings on the proposed budget are held, the proposed budget is adopted by

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgetary Data (continued) –

resolution of the Commissioner. The budget amounts for the fiscal year may be amended by the County Commissioner to actual operating figures. Walker County prepares annual operating budgets for all governmental funds. At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Commissioner, budgetary transfers between departments can be made. The legal level of budgeting control is at the department level or elected office level. All appropriations lapse at the end of each fiscal year.

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

Encumbrances –

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

Assets, Liabilities, and Net Assets –

Cash and Investments:

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

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

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

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities, and Net Assets (continued) –

Cash and Investments (continued):

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

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Receivables:

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The amounts estimated to be uncollectible from property taxes receivable and accounts receivable for fire and rescue fees are \$577,000 and \$302,000, respectively. Estimated uncollectible accounts receivable in the landfill proprietary fund are \$15,000. Amounts estimated to be uncollectible from ambulance services accounts receivable are \$3,400,000.

Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Amounts receivable from or payable to fiduciary funds are included in the Statement of Net Assets as receivable from and payable to external parties, not as internal balances. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Expenses:

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

Deferred Charges:

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

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. An exception to the \$5,000 threshold is capital lease assets. The County capitalizes all capital lease assets. Such assets are recorded at historical cost or estimated

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities, and Net Assets (continued) –

Capital Assets (continued):

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. For the fiscal year ended September 30, 2007, the County implemented GASB Statement No. 34 requirements of retroactive reporting of major general infrastructure assets. This category is the largest asset class of the County. Historically, the financial statements have not reflected this asset category or the depreciation expense for the systematic allocation of its consumption. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized for the fiscal year ending September 30, 2012.

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

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

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

Other Assets:

Other assets held are recorded and accounted for at cost.

Accounts Payable and Accrued Liabilities:

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

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities, and Net Assets (continued) –

Deferred Revenues:

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

Long-term Obligations:

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

Net Assets:

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

Governmental Fund Balance:

Beginning with fiscal year 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e., Sole Commissioner). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the County intends to use for a specific purpose. Intent can be expressed by the Sole Commissioner or by an official or body to which the Commissioner delegates the authority.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Assets, Liabilities, and Net Assets (continued) –

Governmental Fund Balance (continued) –

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Revenues and Expenditures and Expense –

Property Tax Revenues:

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

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

Lien date	January 1, 2012
Levy date	September 27, 2012
Due date	October 20, 2012
Delinquency date	December 20, 2012

Interfund Transactions:

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

Payments Between the County and Component Units:

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Estimates –

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

(2) CASH AND INVESTMENTS:

Primary Government –

The cash and investments of the County were fully collateralized at September 30, 2012. The following schedules classify the cash and investments into three categories to give an indication of the level of risk assumed by the County at year end.

Deposit Categories of Custodial Credit Risk:

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

Investment Categories of Custodial Credit Risk:

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

The following schedule of cash and investments of all of the County's funds (including fiduciary funds) as of September 30, 2012, is categorized by custodial credit risk:

	Category			Carrying	Bank
<u>Cash</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Balance</u>
Deposits with financial institutions	\$ 1,666,507	\$ 3,357,902	\$ --	\$3,941,133	\$5,024,409

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(2) CASH AND INVESTMENTS (Continued):

Schedule of cash and investments (continued):

Investment Type	Category			Carrying Amount	Credit Rating	Maturities	Weighted Average Maturity
	1	2	3				Days
<u>Primary Government</u>							
Georgia Fund 1	\$ --	\$4,522,445	\$ --	\$4,522,445	AAAm	less than 6 months	46
<u>Fiduciary Fund</u>							
Guaranteed fixed income account	\$ --	\$3,827,117	\$ --	\$3,827,117	N/A	less than 6 months	
Open end mutual funds	--	2,742,149	--	2,742,149	N/A	less than 6 months	
	\$ --	\$6,569,266	\$ --	\$6,569,266			

The deposits of the County are included in the following classifications at September 30, 2012.

Primary Government:

Cash and cash equivalents	\$ 1,418,485
Restricted cash	855,327

Agency funds:

Cash	<u>1,667,321</u>
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Total deposits with financial institutions	<u>\$ 3,941,133</u>
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Component Unit:

Walker County Health Department. The Health Department's cash and cash equivalents are considered to be demand deposits. All deposits were entirely insured or collateralized as of June 30, 2012.

At June 30, 2012, cash consisted of the following:

Cash and cash equivalents	<u>\$ 990,334</u>
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WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(3) INTERFUND BALANCES AND ACTIVITY:

Balances Due To/From Other Funds –

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

Due to:

General fund from nonmajor governmental funds	\$ 7,690
Nonmajor governmental funds from general fund	384,700
Landfill from general fund	<u>48,339</u>

Total	<u>\$ 440,729</u>
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Due from:

Other funds, balance sheet – governmental funds	<u>\$ 440,729</u>
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Total	<u>\$ 440,729</u>
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Interfund balances in the general fund are created mainly from payment of invoices on behalf of other funds.

Interfund balances in the nonmajor governmental funds are created mainly by local matching requirements of grants and from payment of invoices on behalf of other funds.

Transfers To/From Other Funds:

Transfers to/from other funds for the year ended September 30, 2012, consist of the following:

From the general fund to the landfill fund for operating expenditures	\$ 175,312
From the general fund to the E911 fund for operating expenditures	109,908
From the general fund to the fire and rescue fund for operating expenditures	1,583,440
From the general fund to the multiple grant fund for county matching requirements	155,162
From the general fund to the special facilities fund for operating expenditures	497,926
From the general fund to the transportation fund for operating expenditures	363,080
From the fire and rescue fund to the multiple grant fund	<u>209,069</u>

Total	<u>\$ 3,093,897</u>
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WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(4) CAPITAL ASSETS:

Capital asset activity for the fiscal year ended September 30, 2012, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 4,540,583	\$ --	\$ --	\$ (1,943,284)	\$ 2,597,299
Construction in progress	<u>362,663</u>	<u>1,531,106</u>	<u>--</u>	<u>--</u>	<u>1,893,769</u>
Total capital assets not being depreciated	<u>4,903,246</u>	<u>1,531,106</u>	<u>--</u>	<u>(1,943,284)</u>	<u>4,491,068</u>
Capital assets being depreciated and amortized:					
Infrastructure	95,083,177	98,714	--	--	95,181,891
Buildings and improvements	23,585,781	10,645	--	(883,095)	22,713,331
Equipment	5,160,722	807,669	(7,600)	--	5,960,791
Vehicles	12,839,880	1,487,412	--	--	14,327,292
Trucks and construction equipment	<u>4,301,791</u>	<u>38,354</u>	<u>--</u>	<u>--</u>	<u>4,340,145</u>
Total capital assets being depreciated and amortized	<u>140,971,351</u>	<u>2,442,794</u>	<u>(7,600)</u>	<u>(883,095)</u>	<u>142,523,450</u>
Less accumulated depreciation for:					
Infrastructure	38,491,901	1,645,161	--	--	40,137,062
Buildings and improvements	5,436,442	529,005	--	(48,666)	5,916,781
Equipment	2,954,814	650,071	(5,573)	--	3,599,312
Vehicles	8,587,767	1,094,435	--	--	9,682,202
Trucks and construction equipment	<u>3,348,802</u>	<u>196,019</u>	<u>--</u>	<u>--</u>	<u>3,544,821</u>
Total accumulated depreciation and amortization	<u>58,819,726</u>	<u>4,114,691</u>	<u>(5,573)</u>	<u>(48,666)</u>	<u>62,880,178</u>
Total capital assets being depreciated, net	<u>82,151,625</u>	<u>(1,671,897)</u>	<u>(2,027)</u>	<u>(834,429)</u>	<u>79,643,272</u>
Governmental activity capital assets, net	<u>\$ 87,054,871</u>	<u>\$ (140,791)</u>	<u>\$ (2,027)</u>	<u>\$ (2,777,713)</u>	<u>\$ 84,134,340</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 159,165
Judicial	60,793
Sheriff	327,018
Public safety	1,261,891
Public works	1,992,252
Health and welfare	220,004
Culture and recreation	75,105
Housing and development	<u>18,460</u>
	<u>\$ 4,114,691</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(4) CAPITAL ASSETS (Continued):

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
BUSINESS-TYPE ACTIVITIES:					
Landfill:					
Capital assets not being depreciated	\$ --	\$ --	\$ --	\$ --	\$ --
Capital assets being depreciated and amortized:					
C & D Landfill	4,832,721	152,300	--	--	4,985,021
Buildings & improvements	306,771	--	--	--	306,771
Machinery & equipment	529,108	3,101	--	1,293,832	1,826,041
Capital lease assets	1,118,842	174,990	--	(1,293,832)	--
Vehicles	40,477	--	--	--	40,477
Furniture and fixtures	2,172	--	--	--	2,172
Software	1,508	--	--	--	1,508
Computers, radios, & electronics	<u>18,965</u>	<u>1,377</u>	<u>--</u>	<u>--</u>	<u>20,342</u>
Total capital assets being depreciated and amortized	<u>6,850,564</u>	<u>331,768</u>	<u>--</u>	<u>--</u>	<u>7,182,332</u>
Less accumulated depreciation and amortization for:					
C & D Landfill	3,189,596	200,218	--	--	3,389,814
Buildings & improvements	106,303	7,740	--	--	114,043
Machinery & equipment	442,817	12,208	--	1,030,415	1,485,440
Capital lease assets	996,446	33,969	--	(1,030,415)	--
Vehicles	40,477	--	--	--	40,477
Furniture and fixtures	560	109	--	--	669
Software	1,508	--	--	--	1,508
Computers, radios, & electronics	<u>13,899</u>	<u>2,337</u>	<u>--</u>	<u>--</u>	<u>16,236</u>
Total accumulated depreciation and amortization	<u>4,791,606</u>	<u>256,581</u>	<u>--</u>	<u>--</u>	<u>5,048,187</u>
Total capital assets being depreciated, net	<u>2,058,958</u>	<u>75,187</u>	<u>--</u>	<u>--</u>	<u>2,134,145</u>
Landfill capital assets, net	<u>\$ 2,058,958</u>	<u>\$ 75,187</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,134,145</u>

The beginning accumulated depreciation for C & D Landfill was increased by the prior period adjustment.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(4) CAPITAL ASSETS (Continued):

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassifications</u>	<u>Ending Balances</u>
Special Facilities Fund:					
Capital assets not being depreciated:					
Land	\$ --	\$ --	\$ --	\$ 1,943,284	\$ 1,943,284
Construction in progress	--	49,969	--	--	49,969
Total capital assets not being depreciated	--	49,969	--	1,943,284	1,993,253
Capital assets being depreciated and amortized:					
Buildings & improvements	--	241,688	--	883,095	1,124,783
Furniture and fixtures	--	104,539	--	--	104,539
Computers, radios, & electronics	--	7,766	--	--	7,766
Total capital assets being depreciated and amortized	--	353,993	--	883,095	1,237,088
Less accumulated depreciation and amortization for:					
Buildings & improvements	--	18,424	--	48,666	67,090
Furniture and fixtures	--	2,479	--	--	2,479
Computers, radios, & electronics	--	259	--	--	259
Total accumulated depreciation and amortization	--	21,162	--	48,666	69,828
Total capital assets being depreciated, net	--	332,831	--	834,429	1,167,260
Special Facilities Fund capital assets, net	\$ --	\$ 382,800	\$ --	\$ 2,777,713	\$ 3,160,513

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Component Unit:				
Capital assets being depreciated:				
Machinery and equipment	\$ 32,749	\$ --	\$ --	\$ 32,749
Total capital assets being depreciated	32,749	--	--	32,749
Less accumulated depreciation for:				
Machinery and equipment	22,116	2,658	--	24,774
Total accumulated depreciation	22,116	2,658	--	24,774
Governmental activities capital assets, net	\$ 10,633	\$ (2,658)	\$ --	\$ 7,975

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(5) DEFINED BENEFIT PENSION PLAN:

Plan Description:

One hundred seventy six (176) of the County's full time employees are covered by the Pension Plan for Employees of the Walker County Commissioner and Sheriff's Department. This self-administered plan is a single employer, noncontributory, defined benefit plan established January 1, 1973, restated effective January 1, 1984 and amended effective December 31, 2005. Authority to establish, amend or discontinue the plan is assigned to Walker County. The plan is included in this report because the County has oversight responsibility as prescribed by the Governmental Accounting Standards Board. The plan does not issue separate financial statements but includes the financial statements and required supplementary information in the County's annual financial report. The plan provides retirement, disability and death benefits to all employees hired prior to December 31, 2005, and their beneficiaries, that have been employed full time for one year. Employees begin vesting after 3 years of service and are fully vested after 7 years. Members may retire at age 65 with 3 years of service, age 60 with 20 years of service, or age 55 with 25 years of service. Benefits are calculated at 1.10% of five years average earnings multiplied by credited service plus 0.65% of average earnings in excess of \$10,000 multiplied by credited service up to 35 years. The plan was amended effective December 31, 2005, and participation was frozen for individuals who were not active employees or participants on that date and who were hired or rehired after that date.

Funding Policy and Pension Cost:

Contribution requirements are actuarially determined and may be amended by the County. Plan members are not allowed to contribute to the plan. The funding policy for the plan is to make annual contributions at least equal to the minimum contribution required for public retirement systems under Section 47-20-10 of the Official Code of Georgia Annotated. This minimum contribution is equal to the normal cost for the year plus annual payments to amortize increases (decreases) in the unfunded actuarial accrued liability over various prescribed periods. The normal cost for the County's Plan for 2012 has increased as a percentage of covered payroll from 13.73% in 2011 to 15.2% in 2012. The unfunded actuarial accrued liability is amortized over 30 years from 1/1/92. These amortization periods, if applicable, are closed for this plan year. The contributions to the plan during the year ended December 31, 2011 were \$1,290,355 and were made in accordance with contribution requirements determined by an actuarial valuation as of January 1, 2012, (the most recent actuarial valuation date). The County's covered payroll for the plan year ended January 1, 2012, was \$6,354,848, and the total payroll was \$14,491,172.

Summary of Significant Accounting Policies:

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(5) DEFINED BENEFIT PENSION PLAN (Continued):

Funded Status:

The County's annual pension costs, percentage of annual pension cost contributed and net pension obligation for the most recent three years is presented below. The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Three-Year Trend Information

	Employer Annual Pension Cost (APC)	Annual Contribution	Percentage of APC Contributed	Net (EOY) Pension Obligation
December 31, 2009	\$777,960	1,124,332	145.0%	(640,822)
December 31, 2010	826,330	1,017,442	123.0%	(428,717)
December 31, 2011	796,609	1,290,355	162.0%	(685,282)

Funded Status of Plans as of January 1, 2012

Actuarial Valuation For Plan Year Beginning January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability Frozen Entry Age Cost Method (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as % of Covered Payroll (b-a/c)
2012	\$5,837,536	\$6,711,015	\$873,479	87.0%	\$6,354,848	13.7%

Significant Actuarial Assumptions:

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

The significant actuarial assumptions used in the current valuation are:

Investment rate of return	6.0%
Projected salary increase	4.0%
Inflation rate	4.0%
Actuarial methods:	
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Asset valuation method	Market value
Valuation cost method	Frozen entry age with normal cost expressed as a percentage of covered payroll

All actuarial assumptions are the same as those used in the preceding year.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(5) DEFINED BENEFIT PENSION PLAN (Continued):

Plan Membership Data:

As of January 1, 2012, the current plan membership includes the following categories of participants -

Plan Participants:

Retirees currently receiving benefits	18
Beneficiaries	1
Terminated employees entitled to benefits but not yet receiving them	38
Active participants	<u>176</u>

Total	<u><u>233</u></u>
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Investments:

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

Summary of Investments as of September 30, 2012

	<u>Fair Value</u>	<u>% of Total</u>
Lincoln Financial Group:		
Guaranteed fixed income	\$ 3,827,117	58.26%
Balanced	673,227	10.25%
Government/Corporate bond	712,069	10.84%
Equity growth	<u>1,356,853</u>	<u>20.65%</u>
	<u>\$ 6,569,266</u>	<u>100.00%</u>

(6) DEFINED CONTRIBUTION PLAN:

Effective January 1, 2007, the County established the Walker County Commissioner Employees 401(a) plan. The County began funding the plan in May 2009. The County contributed \$90,131 to the plan during fiscal year ended September 30, 2012. This plan covers employees who are not covered under the defined benefit pension plan and have attained age 18 and completed one year of service. Walker County will contribute a percentage of gross wages based on the following contribution schedule:

<u>Age</u>	<u>Percent of Contribution</u>
Up to 29	3
30-39	4
40-49	5
50-59	6
60 and up	7

Plan participants vest 50% after five years of service and 100% after ten years of service. Forfeited funds are distributed equitably to all remaining participants in the plan.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(6) DEFINED CONTRIBUTION PLAN (Continued) :

The Walker County Deferred Compensation Plan is a defined contribution plans under Code Section 457(b) established by the County to provide benefits at retirement to all employees. Membership in the plans is voluntary. Employees can contribute up to the maximum allowed by law. Walker County makes no contributions to the plans. Plan provisions and contribution requirements are established and may be amended by the County Commissioner.

The Plan is administered by Lincoln Financial Group. Participants and contributions for the 2012 plan year are:

Number of participants	21
Participant contributions	\$86,716

(7) TERMINATION BENEFITS:

During fiscal year 2009, the County attorney issued an opinion stating that previously reported post-employment benefits were actually termination benefits offered to a select group of employees. These employees had attained age 60 with at least twenty years of service, and retired from the County with no other medical insurance. The retired employee will be allowed to continue the medical insurance coverage they were receiving as of the date of retirement, with the County continuing to pay the employer portion of the cost until the employee attains age 65. The employee must contribute the amount that would be withheld from payroll if still employed. These benefits are financed on a pay-as-you-go basis. The benefit expenditure at September 30, 2012, was \$74,113, net of any participant contributions. Twenty retirees were receiving benefits at September 30, 2012.

(8) LONG-TERM DEBT:

Long-term Obligation Activity –

The following is a summary of the County's long-term debt transactions for the year ended September 30, 2012 -

	Balance 9/30/2011	Additions	Reductions	Balance 9/30/2012	Amounts Due in One Year	Accrued Interest
Governmental Activities:						
Capitalized leases	\$ 1,672,142	\$3,406,786	\$ 844,544	\$ 4,234,384	\$ 475,427	\$ 61,570
Bonds payable	16,664,057	--	3,782,240	12,881,817	4,115,114	112,709
Short term note	1,500,000	1,650,000	1,500,000	1,650,000	1,650,000	3,888
Compensated absences	724,214	706,316	724,214	706,316	381,729	--
Estimated landfill closure	2,476,404	--	68,396	2,408,008	120,400	--
	<u>\$ 23,036,817</u>	<u>\$5,763,102</u>	<u>\$ 6,919,394</u>	<u>\$21,880,525</u>	<u>\$ 6,742,670</u>	<u>\$ 178,167</u>

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(8) LONG-TERM DEBT (Continued):

Long-term Obligation Activity (continued) –

	Balance 9/30/2011	Additions	Reductions	Balance 9/30/2012	Amounts Due in One Year	Accrued Interest
Business-Type Activities:						
Landfill:						
Capital leases	\$ --	\$ 174,990	\$ 21,762	\$ 153,228	\$ 34,302	\$ --
Compensated absences	10,319	--	1,645	8,674	8,674	--
Landfill closure/postclosure costs	<u>1,280,923</u>	<u>279,286</u>	<u>--</u>	<u>1,560,209</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,291,242</u>	<u>\$ 454,276</u>	<u>\$ 23,407</u>	<u>\$ 1,722,111</u>	<u>\$ 42,976</u>	<u>\$ --</u>

Compensated absences typically have been liquidated in the general and other governmental funds. The capital lease debt is paid by the fund leasing the corresponding assets. The bonds payable will be paid by the 2008 Special Purpose Local Option Sales Tax. The MSW landfill closure/postclosure costs will be liquidated in the general fund, and the C&D landfill closure/postclosure costs will be liquidated in the landfill proprietary fund.

Future debt service requirements on bonds payable at September 30, 2012 are as follows:

	Governmental Activities		
	Bonds		
	Principal	Premium	Interest
Year ending September 30, 2013	\$ 4,095,000	\$ 20,114	\$ 381,431
2014	4,270,000	12,459	233,450
2015	<u>4,480,000</u>	<u>4,244</u>	<u>75,600</u>
	<u>\$ 12,845,000</u>	<u>\$ 36,817</u>	<u>\$ 690,481</u>

The County issued \$8,630,000 in series 2008 general obligation sales tax bonds and \$15,355,000 in series 2009 general obligation sales tax bonds for capital outlay projects outlined in the special purpose local option sales tax referendum on December 11, 2008. The interest rates on the bonds range from 2.2% to 5.0% with principal payments due in amounts ranging from \$1,250,000 to \$3,785,000. Principal payments began January 2009 and mature in January 2015. Interest is due semi-annually while principal payments are due on an annual basis. The bonds are payable from proceeds of the 2008 special purpose local option sales tax referendum .

On August 16, 2012, the County obtained a tax anticipation note in the amount of \$2,000,000. The proceeds of the tax anticipation note were provided to the General Fund as operating resources for the County. As of September 30, 2012, the County had drawn \$1,650,000. The tax anticipation note is due and payable on December 31, 2012.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(8) LONG-TERM DEBT (Continued):

Capital Leases –

The County leases building improvements, vehicles and equipment with a historical cost and accumulated amortization under capital lease arrangements as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u> <u>Landfill</u>	<u>Total</u>
Building improvements	\$ 987,511	\$ --	\$ 987,511
Vehicles and equipment	<u>2,049,838</u>	<u>174,990</u>	<u>2,224,828</u>
Total capital lease assets	3,037,349	174,990	3,212,339
Accumulated amortization	<u>213,961</u>	<u>7,291</u>	<u>221,252</u>
Capital lease assets, net	<u>\$ 2,823,388</u>	<u>\$ 167,699</u>	<u>\$ 2,991,087</u>

Future minimum lease payments at September 30, 2012, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u> <u>Landfill</u>	<u>Total</u>
Year ending September 30, 2013	\$ 621,095	\$ 39,656	\$ 660,751
2014	621,095	21,630	642,725
2015	621,095	100,000	721,095
2016	621,095	--	621,095
2017	621,095	--	621,095
2018-2022	<u>1,980,786</u>	<u>--</u>	<u>1,980,786</u>
Total minimum lease payments	5,086,261	161,286	5,247,547
Less: deferred interest	<u>851,877</u>	<u>8,058</u>	<u>859,935</u>
Present value minimum lease payments	<u>\$ 4,234,384</u>	<u>\$ 153,228</u>	<u>\$ 4,387,612</u>

The interest rates on the capitalized leases range from 3.79% to 5.69% and are imputed based on the County's incremental borrowing rate at the inception of the lease. All capital leases have a bargain purchase option for a nominal amount.

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(9) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Compliance with Finance Related Legal and Contractual Provisions –

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

Excess of Expenditures Over Appropriations in Individual Funds –

For the year ended September 30, 2012, the County had no material excess of expenditures over appropriations in individual funds.

(10) 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 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 – Group Self-Insured Workers' Compensation Fund (the "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 Fund for workers' compensation insurance coverage. The agreement between the members of the public entity risk pools provides that members may be required to pay additional assessments as shall be established by the Board of the pool. However, no additional assessments have been required of the members since formation of the pools.

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

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

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(10) RISK MANAGEMENT (Continued):

The County maintains a medical benefit plan to self-insure claims up to \$90,000 per year for each individual covered; claims above \$90,000 are covered by a stop-loss insurance policy. The County also had an aggregate stop-loss insurance policy which covers claims above \$198,763 monthly and \$2,385,000 annually. The County and its covered employees contribute to the fund to pay the claims and stop-loss insurance premiums. At September 30, 2012, management believes that the County has made provisions sufficient to cover estimated claims, including claims incurred but not yet reported.

(11) CLAIMS AND JUDGMENTS:

The County participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of September 30, 2012, significant amounts of grant expenditures have not been audited, but the County believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the County.

Litigation

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

(12) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

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

At September 30, 2012, the County had incurred a liability of approximately \$1,560,209 for the construction and demolition disposal area which represents the amount of costs reported to date based on approximately 68 percent of landfill capacity used to date. The remaining estimated liability for these costs is \$734,216 which will be recognized as the remaining capacity is used (estimated to be approximately 11 years).

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

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(12) LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (Continued):

The County also owns a solid waste landfill which discontinued operations in June 1998. The solid waste is accepted at a transfer station and transported to a location out of the County by an outside contractor. The landfill will continue to incur costs associated with the closing of the landfill in order to comply with EPA requirements. In addition, the County will be required to monitor various wells for a period of time. At September 30, 2012, a liability for postclosure care costs is recorded in the amount of \$2,408,008, which is based on engineering reports, for maintaining the landfill site in future years. However, management's estimate of postclosure costs is contingent upon its ability to satisfy EPA requirements, and costs could be significantly higher if full compliance is not achieved. These costs will be met with future County revenues.

(13) JOINT VENTURE:

Walker County is a member of the Northwest Georgia Regional Commission (RC). The RC was created under the laws of the State of Georgia. Cities and Counties in the area served by the RC are required to be members under the Official Code of Georgia Annotated Section 36-70-4. The membership of the RC includes 15 counties and 49 municipalities. The County has no equity interest in the RC. The County contributes \$1.05 per capita yearly to the RC. The Official Code of Georgia Annotated Section 50-8-39.1 states that in the event the RC ceases operation, the membership can be assessed for any debt or obligation for the RC. Separate financial statements may be obtained from Northwest Georgia Regional Commission, P. O. Box 1798, Rome, Georgia 30162.

(14) COMMITMENTS AND CONTINGENCIES:

The County has a contract with the Hospital Authority of Walker, Dade and Catoosa Counties (the "Authority") to ensure medical care and hospitalization is provided to indigent individuals residing in the County. Catoosa County and Dade County are also parties to the same contract.

The Authority owns or leases certain hospital buildings and related facilities (the "Hospital"), including, but not limited to Hutcheson Medical Center. Hutcheson Medical Center, Inc., ("HMC") a nonprofit corporation organized under the laws of the State of Georgia currently leases from the Authority and operates the Hospital.

The Authority, in order to obtain additional funding for the operation and maintenance of the Hospital, entered into a line of credit note (the "Note") with Chattanooga-Hamilton County Hospital Authority d/b/a Erlanger Health System, a hospital authority organized under the Tennessee Hospital Authority Law. The line of credit may not exceed \$20,000,000 in principal with loan proceeds being paid to Hutcheson Medical Center, Inc. The Authority agreed to execute and deliver to the holder a Deed to Secure Debt and Security Agreement (the "Security Deed") to which it shall grant security title to its interest in certain real estate (the "Property") on which the Hospital is located as security for repayment of the Note. In order to assist the Authority in obtaining the necessary funding provided under the Note, the County along with the Board of

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(14) COMMITMENTS AND CONTINGENCIES (Continued):

Commissioners of Catoosa County has guaranteed the line of credit in the event of an uncured default by the Authority. Each of the Counties separately agreed to pay the Authority, or its assigns, an amount equal to one-half of the principal and interest then due and payable on the note with a maximum liability of \$10,000,000 each.

To the extent necessary, the County may levy an annual tax on taxable property located within the boundaries of the County for the purpose of providing medical care or hospitalization for the indigent sick and others entitled to use of the Hospital, at such rate or rates, within the limits now prescribed or such higher limits as may hereafter be prescribed by the Hospital Authorities Law, as may be necessary to make the payments called for by the agreement.

(15) PRIOR PERIOD ADJUSTMENT:

Each year the landfill hires an environmental consulting firm to report on the current year usage and remaining capacity of the landfill. The current year depreciation expense for the C and D landfill is calculated based on the consulting firm's reported information. In fiscal year 2011, a new consulting firm was hired and they issued their report using data provided by the prior consulting firm. In fiscal year 2012, due to a variance the current survey was compared to the Environmental Protection Department's approved drawings discovering an error in prior year determinations of remaining capacity. The landfill change in net assets for September 30, 2011 would not be affected. The landfill beginning net assets for September 30, 2012 was \$434,945 lower as a result of the restatement.

(16) RELATED PARTY TRANSACTIONS:

Organizations for which a primary government is accountable because the County Commissioner appoints the members of the board, but is not financially accountable, are considered to be related organizations. The Walker County Water and Sewerage Authority is a related organization of the County. The County Commissioner appoints each of the five members of the board but has no further accountability. During the fiscal year ended September 30, 2012, the Walker County Water and Sewerage Authority purchased water and sewer lines from the County for \$2,500,000.

(17) SUBSEQUENT EVENTS:

On February 7, 2013, Walker County, Georgia, as well as, Catoosa County, Georgia, agreed to pledge its credit backing to support \$25,000,000 in a short-term bond anticipation note at interest at a commercially reasonable rate to assist Hutcheson Medical Center in paying off its debt service and obtaining operating capital for the Hospital. Hutcheson Medical Center has debt of approximately \$70,000,000. The short-term bond anticipation note will be converted to long-term bonds of \$25,000,000. There are several specific conditions that must be met before the Counties will participate and provide the credit of the taxpayers as standby credit, the main conditions have to do with the membership of the Board of Trustees of the Authority, the process of appointing new members to the Board of Trustees and the input ability of both Counties as to the use of the

WALKER COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

(17) SUBSEQUENT EVENTS (Continued):

\$25,000,000. The bond anticipation note would be in the form of a line of credit with a requirement for the Hospital to propose the use of funds and obtain approval from the Counties prior to draws so the Counties would control the flow of funds. The primary purpose of the bond anticipation note would be payoff of \$12,000,000 in Medicare debt which would assist the Hospital in its operation. Hutcheson plans to subordinate debts currently held with Erlanger, Regions Bank and possibly other debt to the short-term bond anticipation note and the long-term bonds. Only if the Hospital is unable to pay the short-term bond anticipation note or long-term bond payments would Walker County, Georgia and Catoosa County, Georgia each be responsible for half of the outstanding payments.

Management has evaluated subsequent events through March 27, 2013, the date which this financial statement was available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUE:				
Taxes	\$ 7,930,840	\$ 7,934,289	\$ 7,934,289	\$ -
Other taxes	7,143,200	7,859,099	7,859,099	-
Licenses and permits	130,600	179,270	179,270	-
Intergovernmental	319,500	427,216	427,216	-
Charges for services	827,500	787,844	787,844	-
Fines and forfeitures	1,618,600	1,429,030	1,429,030	-
Investment earnings	19,100	11,269	11,269	-
Contributions and donations	-	90,561	90,561	-
Rental income	199,755	75,998	75,998	-
Other	315,200	267,568	267,568	-
Total revenue	<u>18,504,295</u>	<u>19,062,144</u>	<u>19,062,144</u>	<u>-</u>
EXPENDITURES:				
General Government -				
Governing body	609,425	581,108	581,108	-
Elections	304,104	250,185	250,185	-
Accounting	289,390	261,680	261,680	-
Licensing	8,100	5,445	5,445	-
Legal	180,434	132,152	132,152	-
Data processing	87,062	97,053	97,053	-
Tax commissioner	900,000	839,361	839,361	-
Tax assessor	661,656	742,039	742,039	-
Board of equalization	8,000	7,887	7,887	-
General government buildings and plant	325,000	381,632	381,632	-
Marsh Warthen house	5,400	8,559	8,559	-
Records management	97,000	108,934	108,934	-
General administration fees	77,423	8,653	8,653	-
Special projects	70,000	66,863	66,863	-
Total general government	<u>3,622,994</u>	<u>3,491,551</u>	<u>3,491,551</u>	<u>-</u>
Judicial -				
Clerk of courts	697,267	619,098	619,098	-
Superior court	208,456	188,560	188,560	-
District attorney	286,957	290,444	290,444	-
State court	263,480	291,287	291,287	-
State court solicitor	169,476	186,315	186,315	-
Magistrate court	329,528	325,139	325,139	-
Probate court	268,000	240,635	240,635	-
Juvenile court	269,300	290,910	290,910	-
Grand jury	600	-	-	-
Public defender	200,153	232,877	232,877	-
Court reporter	50,000	50,781	50,781	-
Total judicial	<u>2,743,217</u>	<u>2,716,046</u>	<u>2,716,046</u>	<u>-</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget			Variance with Final Budget
	Original	Final	Actual	
Sheriff -				
Law enforcement administration	\$ 489,238	\$ 806,006	\$ 806,006	\$ -
Criminal investigation	855,149	717,603	717,603	-
Vice control	69,905	102,917	102,917	-
Patrol	1,712,520	1,828,378	1,828,378	-
Custody of prisoners	2,143,717	2,034,703	2,034,703	-
Champs program	232,294	196,732	196,732	-
Training	92,244	74,563	74,563	-
Special detail services	19,820	8,090	8,090	-
Sheriff's office and building	124,000	110,735	110,735	-
Court services	943,695	837,447	837,447	-
Bailiff	17,418	5,859	5,859	-
Total sheriff	6,700,000	6,723,033	6,723,033	-
Public Safety -				
County police	350,000	517,253	517,253	-
Coroner/medical examiner	70,000	86,856	86,856	-
Animal control	242,300	271,000	271,000	-
Total public safety	662,300	875,109	875,109	-
Highways and Streets -				
Highways and streets administration	375,311	509,994	509,994	-
Paved streets	354,800	1,291,939	1,291,939	-
Other maintenance	544,900	666,290	666,290	-
Bridges, viaducts and grade separations	20,000	58	58	-
Traffic engineering	101,909	133,896	133,896	-
Closure and postclosure costs	91,200	86,714	86,714	-
Tornado grant cleanup	-	1,821	1,821	-
Maintenance and shop	603,080	629,954	629,954	-
Total highways and streets	2,091,200	3,320,666	3,320,666	-

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget			Variance with Final Budget
	Original	Final	Actual	
Health and welfare -				
Public health administration	\$ 281,295	\$ 283,140	\$ 283,140	\$ -
Mosquito control	-	2,626	2,626	-
Health department building and plant	10,000	24,376	24,376	-
Intergovernmental welfare payments	45,500	35,405	35,405	-
Other welfare payments	2,000	58,440	58,440	-
DFACS building and plant	100,000	87,740	87,740	-
Meals on wheels	65,000	65,043	65,043	-
Senior center	7,500	5,769	5,769	-
Special projects	-	-	-	-
Total health and welfare	<u>511,295</u>	<u>562,539</u>	<u>562,539</u>	<u>-</u>
Culture and Recreation -				
Civic center	208,158	198,587	198,587	-
Other recreational facilities	50,000	-	-	-
Agricultural center	34,500	13,959	13,959	-
Historical preservation	6,350	1,365	1,365	-
Library administration	<u>153,825</u>	<u>153,825</u>	<u>153,825</u>	<u>-</u>
Total culture and recreation	<u>452,833</u>	<u>367,736</u>	<u>367,736</u>	<u>-</u>
Housing and Development -				
County agent	79,952	55,737	55,737	-
Forest resources	-	13,607	13,607	-
Planning and zoning	200,000	195,122	195,122	-
Economic development	<u>128,501</u>	<u>242,322</u>	<u>242,322</u>	<u>-</u>
Total housing and development	<u>408,453</u>	<u>506,788</u>	<u>506,788</u>	<u>-</u>
Debt Service -				
Principal	1,600,000	53,737	53,737	-
Interest	<u>33,433</u>	<u>99,344</u>	<u>99,344</u>	<u>-</u>
Total debt service	<u>1,633,433</u>	<u>153,081</u>	<u>153,081</u>	<u>-</u>
Total expenditures	<u>18,825,725</u>	<u>18,716,549</u>	<u>18,716,549</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(321,430)</u>	<u>345,595</u>	<u>345,595</u>	<u>-</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Transfers to other funds	<u>(2,178,570)</u>	<u>(2,884,828)</u>	<u>(2,884,828)</u>	<u>-</u>
Total other financing sources (uses)	<u>321,430</u>	<u>(384,828)</u>	<u>(384,828)</u>	<u>-</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	 -	 (39,233)	 (39,233)	 -
 FUND BALANCES:				
Beginning	<u>3,753,910</u>	<u>3,753,910</u>	<u>3,753,910</u>	<u>-</u>
Ending	<u>\$ 3,753,910</u>	<u>\$ 3,714,677</u>	<u>\$ 3,714,677</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
FIRE & RESCUE FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ 5,000,000	\$ 4,074,144	\$ 4,074,144	\$ -
EXPENDITURES	<u>4,999,507</u>	<u>7,069,821</u>	<u>7,069,821</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>493</u>	<u>(2,995,677)</u>	<u>(2,995,677)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	-	1,766,831	1,766,831	-
Transfer to other funds	-	(209,069)	(209,069)	-
Transfer from other funds	<u>-</u>	<u>1,583,440</u>	<u>1,583,440</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>3,141,202</u>	<u>3,141,202</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	493	145,525	145,525	-
FUND BALANCES:				
Beginning	<u>404,267</u>	<u>404,267</u>	<u>404,267</u>	<u>-</u>
Ending	<u>\$ 404,760</u>	<u>\$ 549,792</u>	<u>\$ 549,792</u>	<u>\$ -</u>

**WALKER COUNTY, GEORGIA
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
RETIREMENT PLAN
SEPTEMBER 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (a) + (b)	Unfunded* AAL (UAAL) (b)	Funded Ratio a/(a+b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b/c)
01/01/07	5,129,238	5,612,261	483,023	91.4%	7,312,827	6.6%
01/01/08	6,051,086	6,274,654	223,568	96.4%	7,266,593	3.1%
01/01/09	5,658,617	5,981,399	322,782	94.6%	7,317,071	4.4%
01/01/10	5,537,935	5,921,500	383,565	93.5%	7,087,233	5.4%
01/01/11	6,424,689	7,360,307	935,618	87.3%	6,531,854	14.3%
01/01/12	5,837,536	6,711,015	873,479	87.0%	6,354,848	13.7%

All annual contributions presented in these required supplementary schedules were determined as part of the actuarial valuations at the dates indicated. The 01/01/2011 actuarial report was revised in October 2012 and the above schedule was updated with the revised numbers.

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

WALKER COUNTY, GEORGIA
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREMENT PLAN
SEPTEMBER 30, 2012

Plan Year Ended	Annual Required Contribution	Actual Contributions	Percentage Contributed
12/31/06	\$ 918,196	\$ 921,222	100%
12/31/07	978,839	1,195,458	122%
12/31/08	774,137	1,078,215	139%
12/31/09	777,960	1,124,332	145%
12/31/10	826,330	1,017,442	123%
12/31/11	796,609	1,290,355	162%

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

Additional information as of the latest actuarial valuation follows:

Valuation date	1/1/2012
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	4.0%

All actuarial assumptions are the same as those used in the preceding year.

WALKER COUNTY, GEORGIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2012

(1) BUDGETARY BASIS OF ACCOUNTING:

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

SUPPLEMENTARY INFORMATION

WALKER COUNTY, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012

	E911	Law Library	Multiple Grand Fund	Court Supervision	Connection	Transportation	Total
ASSETS:							
Cash	\$ -	\$ 43,250	\$ -	\$ 43,977	\$ 1,000	\$ 1,394	\$ 89,621
Restricted cash	381,385	-	72,983	-	-	-	454,368
Accounts receivable	146,670	-	10,000	-	-	-	156,670
Due from other funds	-	-	-	-	7,690	-	7,690
Due from other governments	48,856	-	174,430	-	10,300	75,841	309,427
Total assets	<u>\$ 576,911</u>	<u>\$ 43,250</u>	<u>\$ 257,413</u>	<u>\$ 43,977</u>	<u>\$ 18,990</u>	<u>\$ 77,235</u>	<u>\$ 1,017,776</u>
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	\$ 78,340	\$ -	\$ 124,239	\$ -	\$ -	\$ 2,654	\$ 205,233
Due to other funds	195,526	-	110,268	4,325	-	74,581	384,700
Deferred revenue	-	-	22,906	-	-	-	22,906
Total liabilities	<u>273,866</u>	<u>-</u>	<u>257,413</u>	<u>4,325</u>	<u>-</u>	<u>77,235</u>	<u>612,839</u>
Fund balances:							
Restricted	<u>303,045</u>	<u>43,250</u>	<u>-</u>	<u>39,652</u>	<u>18,990</u>	<u>-</u>	<u>404,937</u>
Total fund balances	<u>303,045</u>	<u>43,250</u>	<u>-</u>	<u>39,652</u>	<u>18,990</u>	<u>-</u>	<u>404,937</u>
Total liabilities and fund balances	<u>\$ 576,911</u>	<u>\$ 43,250</u>	<u>\$ 257,413</u>	<u>\$ 43,977</u>	<u>\$ 18,990</u>	<u>\$ 77,235</u>	<u>\$ 1,017,776</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL - SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>E911</u>	<u>Law Library</u>	<u>Multiple Grant Fund</u>	<u>Court Supervision</u>	<u>Connection</u>	<u>Transportation</u>	<u>Total</u>
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ 2,358,373	\$ -	\$ 43,778	\$ 483,642	\$ 2,885,793
Charges for services	1,029,203	-	-	-	-	95,374	1,124,577
Fines and forfeitures	-	23,164	-	7,522	-	-	30,686
Investment income	43	1	-	671	-	-	715
Contributions and donations	-	-	20,000	-	-	-	20,000
	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total revenues	<u>1,029,246</u>	<u>23,165</u>	<u>2,378,373</u>	<u>8,193</u>	<u>43,778</u>	<u>579,016</u>	<u>4,061,771</u>
EXPENDITURES:							
Current -							
Judicial	-	17,890	107,325	14,984	-	-	140,199
Sheriff	-	-	26,141	-	-	-	26,141
Public safety	2,476,064	-	1,072,007	-	-	-	3,548,071
Public works	-	-	76,846	-	-	-	76,846
Health and welfare	-	-	1,316,846	-	43,082	942,096	2,302,024
Culture and recreation	-	-	98,023	-	-	-	98,023
	<u>-</u>	<u>-</u>	<u>98,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,023</u>
Total expenditures	<u>2,476,064</u>	<u>17,890</u>	<u>2,697,188</u>	<u>14,984</u>	<u>43,082</u>	<u>942,096</u>	<u>6,191,304</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,446,818)	5,275	(318,815)	(6,791)	696	(363,080)	(2,129,533)
OTHER FINANCING SOURCES:							
Transfer from other funds	109,908	-	364,231	-	-	363,080	837,219
Proceeds from capital lease	1,639,955	-	-	-	-	-	1,639,955
	<u>1,749,863</u>	<u>-</u>	<u>364,231</u>	<u>-</u>	<u>-</u>	<u>363,080</u>	<u>2,477,174</u>
Total other financing sources	<u>1,749,863</u>	<u>-</u>	<u>364,231</u>	<u>-</u>	<u>-</u>	<u>363,080</u>	<u>2,477,174</u>
NET CHANGE IN FUND BALANCES	303,045	5,275	45,416	(6,791)	696	-	347,641
FUND BALANCES:							
Beginning	-	37,975	(45,416)	46,443	18,294	-	57,296
Ending	<u>\$ 303,045</u>	<u>\$ 43,250</u>	<u>\$ -</u>	<u>\$ 39,652</u>	<u>\$ 18,990</u>	<u>\$ -</u>	<u>\$ 404,937</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2012

	<u>Tax</u> <u>Commissioner</u>	<u>Clerk of</u> <u>Courts</u>	<u>Probate</u> <u>Judge</u>	<u>Magistrate</u> <u>Judge</u>	<u>Total</u>
ASSETS:					
Cash	\$ 555,230	\$ 1,086,486	\$ 10,767	\$ 14,838	\$ 1,667,321
Total assets	<u>\$ 555,230</u>	<u>\$ 1,086,486</u>	<u>\$ 10,767</u>	<u>\$ 14,838</u>	<u>\$ 1,667,321</u>
LIABILITIES:					
Accounts payable	\$ 4,724	\$ -	\$ -	\$ -	\$ 4,724
Due to other governments	550,506	74,190	993	3,393	629,082
Due to heirs, litigants and others	<u>-</u>	<u>1,012,296</u>	<u>9,774</u>	<u>11,445</u>	<u>1,033,515</u>
Total liabilities	<u>555,230</u>	<u>1,086,486</u>	<u>10,767</u>	<u>14,838</u>	<u>1,667,321</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 1,958,838	\$ 39,202,079	\$ 39,493,596	\$ 1,667,321
Total assets	<u>\$ 1,958,838</u>	<u>\$ 39,202,079</u>	<u>\$ 39,493,596</u>	<u>\$ 1,667,321</u>
 LIABILITIES:				
Accounts payable	\$ 11,202	\$ 77,897	\$ 84,375	\$ 4,724
Due to other governments	573,414	37,961,806	37,906,138	629,082
Due to heirs, litigants and others	<u>1,374,222</u>	<u>588,488</u>	<u>929,195</u>	<u>1,033,515</u>
Total liabilities	<u>1,958,838</u>	<u>38,628,191</u>	<u>38,919,708</u>	<u>1,667,321</u>
 NET ASSETS	<u>\$ -</u>	<u>\$ 573,888</u>	<u>\$ 573,888</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TAX COMMISSIONER
YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 498,715	\$ 35,739,989	\$ 35,683,474	\$ 555,230
Total assets	<u>\$ 498,715</u>	<u>\$ 35,739,989</u>	<u>\$ 35,683,474</u>	<u>\$ 555,230</u>
 LIABILITIES:				
Accounts payable	\$ 11,202	\$ 77,897	\$ 84,375	\$ 4,724
Due to other governments	<u>487,513</u>	<u>35,662,092</u>	<u>35,599,099</u>	<u>550,506</u>
Total liabilities	<u>498,715</u>	<u>35,739,989</u>	<u>35,683,474</u>	<u>555,230</u>
 NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CLERK OF COURTS
YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 1,436,446	\$ 3,078,528	\$ 3,428,488	\$ 1,086,486
Total assets	<u>\$ 1,436,446</u>	<u>\$ 3,078,528</u>	<u>\$ 3,428,488</u>	<u>\$ 1,086,486</u>
 LIABILITIES:				
Due to other governments	\$ 81,212	\$ 2,243,080	\$ 2,250,102	\$ 74,190
Due to heirs, litigants, and others	<u>1,355,234</u>	<u>467,996</u>	<u>810,934</u>	<u>1,012,296</u>
Total liabilities	<u>1,436,446</u>	<u>2,711,076</u>	<u>3,061,036</u>	<u>1,086,486</u>
 NET ASSETS	<u>\$ -</u>	<u>\$ 367,452</u>	<u>\$ 367,452</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
PROBATE JUDGE
YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 10,738	\$ 111,811	\$ 111,782	\$ 10,767
Total assets	<u>\$ 10,738</u>	<u>\$ 111,811</u>	<u>\$ 111,782</u>	<u>\$ 10,767</u>
 LIABILITIES:				
Due to other governments	\$ 972	\$ 14,109	\$ 14,088	\$ 993
Due to heirs, litigants, and others	<u>9,766</u>	<u>8</u>	<u>-</u>	<u>9,774</u>
Total liabilities	<u>10,738</u>	<u>14,117</u>	<u>14,088</u>	<u>10,767</u>
 NET ASSETS	<u>\$ -</u>	<u>\$ 97,694</u>	<u>\$ 97,694</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MAGISTRATE JUDGE
YEAR ENDED SEPTEMBER 30, 2012

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>
ASSETS:				
Cash	\$ 12,939	\$ 271,751	\$ 269,852	\$ 14,838
Total assets	<u>\$ 12,939</u>	<u>\$ 271,751</u>	<u>\$ 269,852</u>	<u>\$ 14,838</u>
 LIABILITIES:				
Due to other governments	\$ 3,717	\$ 42,525	\$ 42,849	\$ 3,393
Due to heirs, litigants, and others	<u>9,222</u>	<u>120,484</u>	<u>118,261</u>	<u>11,445</u>
Total liabilities	<u>12,939</u>	<u>163,009</u>	<u>161,110</u>	<u>14,838</u>
 NET ASSETS	<u>\$ -</u>	<u>\$ 108,742</u>	<u>\$ 108,742</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
STATEMENT OF EXPENDITURES TO BUDGET
FAMILY CONNECTION PROGRAM
CONTRACT 427-93-121200137-99
CONTRACT PERIOD: JULY 1, 2011 - JUNE 30, 2012

	<u>Family Connection Budget</u>	<u>Contract Expenditures</u>	<u>Variance with Budget</u>
EXPENDITURES:			
Personal services	\$ -	\$ -	\$ -
Regular operating	1,650	1,781	(131)
Travel - staff	-	-	-
Equipment	-	-	-
Per diem, fees and contracts	42,000	41,723	277
Telecommunications	350	390	(40)
Other support to customers	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 44,000</u></u>	<u><u>\$ 43,894</u></u>	<u><u>\$ 106</u></u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
E911
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
REVENUES	\$ 1,146,608	\$ 1,029,246	\$ 1,029,246	\$ -
EXPENDITURES	<u>1,146,608</u>	<u>2,476,064</u>	<u>2,476,064</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(1,446,818)</u>	<u>(1,446,818)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	-	109,908	109,908	-
Proceeds from capital lease	<u>-</u>	<u>1,639,955</u>	<u>1,639,955</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>1,749,863</u>	<u>1,749,863</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	303,045	303,045	-
FUND BALANCES:				
Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending	<u>\$ -</u>	<u>\$ 303,045</u>	<u>\$ 303,045</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ 40,000	\$ 23,165	\$ 23,165	\$ -
EXPENDITURES	<u>40,000</u>	<u>17,890</u>	<u>17,890</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	5,275	5,275	-
FUND BALANCES:				
Beginning	<u>37,975</u>	<u>37,975</u>	<u>37,975</u>	<u>-</u>
Ending	<u>\$ 37,975</u>	<u>\$ 43,250</u>	<u>\$ 43,250</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
MULTIPLE GRANT FUND
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ 2,378,373	\$ 2,378,373	\$ -
EXPENDITURES	<u>-</u>	<u>2,697,188</u>	<u>2,697,188</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(318,815)</u>	<u>(318,815)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>364,231</u>	<u>364,231</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	45,416	45,416	-
FUND BALANCES:				
Beginning	<u>(45,416)</u>	<u>(45,416)</u>	<u>(45,416)</u>	<u>-</u>
Ending	<u>\$ (45,416)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
COURT SUPERVISION
YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budget</u>			Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
REVENUES	\$ 10,000	\$ 8,193	\$ 8,193	\$ -
EXPENDITURES	<u>10,000</u>	<u>14,984</u>	<u>14,984</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(6,791)	(6,791)	-
FUND BALANCES:				
Beginning	<u>46,443</u>	<u>46,443</u>	<u>46,443</u>	<u>-</u>
Ending	<u>\$ 46,443</u>	<u>\$ 39,652</u>	<u>\$ 39,652</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
CONNECTION
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>			Variance with Final
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
REVENUES	\$ 44,000	\$ 43,778	\$ 43,778	\$ -
EXPENDITURES	<u>44,000</u>	<u>43,082</u>	<u>43,082</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	696	696	-
FUND BALANCES:				
Beginning	<u>18,294</u>	<u>18,294</u>	<u>18,294</u>	<u>-</u>
Ending	<u>\$ 18,294</u>	<u>\$ 18,990</u>	<u>\$ 18,990</u>	<u>\$ -</u>

WALKER COUNTY, GEORGIA
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION
YEAR ENDED SEPTEMBER 30, 2012

	<u>Budget</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES	\$ 707,294	\$ 579,016	\$ 579,016	\$ -
EXPENDITURES	<u>707,294</u>	<u>942,096</u>	<u>942,096</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(363,080)</u>	<u>(363,080)</u>	<u>-</u>
OTHER FINANCING SOURCES:				
Transfer from other funds	<u>-</u>	<u>363,080</u>	<u>363,080</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COMPLIANCE



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

**Commissioner
Walker County, Georgia
LaFayette, Georgia:**

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Walker County, Georgia, as of and for the year ended September 30, 2012, which collectively comprises Walker County, Georgia's basic financial statements and have issued our report thereon dated March 27, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the Walker County Health Department, as described in our report on Walker County, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of Walker County, Georgia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Walker County, Georgia's, internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walker County, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Walker County, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain

deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 07-1 and 11-1 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Walker County, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Johnson, Wiley & Meacham, P.C.

Chattanooga, Tennessee
March 27, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Commissioner
Walker County, Georgia
LaFayette, Georgia:**

Compliance

We have audited Walker County, Georgia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Walker County, Georgia's major federal programs for the year ended September 30, 2012. Walker County, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Walker County, Georgia's management. Our responsibility is to express an opinion on Walker County, Georgia's compliance based on our audit.

Walker County, Georgia's basic financial statements include the operations of the Walker County Health Department component unit which received \$89,201 in federal awards which is not included in the schedule during the year ended June 30, 2012. Our audit, described below, did not include the operations of the Walker County Health Department because the component unit did not meet the threshold requiring an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Walker County, Georgia's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Walker County, Georgia's compliance with those requirements.

In our opinion, Walker County, Georgia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of Walker County, Georgia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Walker County, Georgia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Walker County, Georgia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Walker County, Georgia's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Walker County, Georgia's responses, and, accordingly, we express no opinion on the responses.

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

Johnson, Niskey & Menckem, P.C.

Chattanooga, Tennessee
March 27, 2013

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through Georgia Emergency Management Agency - Emergency Watershed Protection Program	10.923	65-4310-12-48	\$ 53,344
U.S. Department of Justice:			
Passed through State Council of Juvenile Court Judges - CJCC - Juvenile Offenders	16.523	JB-09ST-0004	8,601
Passed through State Criminal Justice Coordinating Council - CJCC - VOCA	16.575	C11-8-131	67,756
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (ARRA)	16.803	B82-8-113	13,889
Direct Award - Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		2,082
Officer Safety and Education Program (ARRA)	16.738		304
Officer Safety and Education Program (ARRA)	16.738		9,864
Officer Safety and Education Program (ARRA)	16.738		1,710
			11,878
Total U. S. Department of Justice			104,206
U.S. Department of Transportation:			
Passed through Georgia Department of Natural Resources Recreational Trans Program (Durham)	20.219	GA070410017	26,475
Passed through State Department of Justice - Transit Operating Assistance	20.509	GA-18-4031	75,840
Transit Operating Assistance	20.509	GA-18-4032	267,095
Capital Improvement Assistance	20.509	GA-18-0032	210,150
			553,085
Total U. S. Department of Transportation			579,560
U.S. Department of Health and Human Services:			
Direct Award - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104		1,316,846
U.S. Department of Homeland Security:			
Passed through Georgia Emergency Management Agency - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1973-DR-GA	4,290
Emergency Management Performance Grants	97.042	2010-EP-00-0015	18,346
Citizens Corp Program	97.067	EMW-2011-SS-00081	3,847
Direct Award - Assistance to Firefighters Grant	97.044		512,148
Assistance to Firefighters Grant	97.044		324,601
			836,749
Total U. S. Department of Homeland Security			863,232
			\$ 2,917,188

WALKER COUNTY, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2012

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(1) BASIS OF PRESENTATION:

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

(2) SUB-RECIPIENTS:

The County provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	93.104	\$ 1,316,846

**WALKER COUNTY, GEORGIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Finding Control Number and Status

- 07-1 The County has failed to implement the corrective action plan. Journal entries were made during the audit to adjust balance sheet accounts due to there again being a delay in receipt of the necessary information by the accounting department.
- 11-1 The County has failed to implement the corrective action plan. One individual is still responsible for entry of invoice, issuance of check, signing check with signature block and mailing of checks with limited secondary review of checks under \$10,000.

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified that are not considered to be material weakness	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal Control over major programs:		
Material weakness identified	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weakness	<u> </u> Yes	<u> X </u> None reported

Type of auditor’s report issued on compliance for major programs:	Unqualified
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Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	<u> </u> Yes	<u> X </u> No
--	-------------------	-----------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.104	Comprehensive Community Health Services for Children with Serious Emotional Disturbances
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee:	<u> </u> Yes <u> X </u> No

WALKER COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 07-1 –

Condition: Some material balance sheet accounts were not reconciled to supporting documentation at year end. In these instances, the ending balances were identified and supporting worksheets were prepared, however, circumstances prevented the accounting department from having all pertinent information necessary to determine the correct balance in a timely manner. This finding was primarily related to the fire and rescue fund accounts receivable. This condition was a prior year finding.

Criteria: Accounting tasks such as monthly and annual reconciliations play a key role in providing the accuracy of accounting data and information included in the financial statements.

Effect: Balance sheet accounts that are not reconciled could result in undetected material misstatements in the financial statements. Appropriate account reconciliations could avoid errors being undetected in the financial statements that management uses as part of its decision making process and provide management with more confidence in the financial statements.

Recommendation: A reconciliation of all balance sheet accounts should be prepared to determine that all transactions have been recorded and to discover any potential errors. These reconciliations will ensure meaningful and accurate financial statements.

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

Planned Corrective Plan: Management's response is located on pages 74-75.

Finding 11-1 –

Condition: One individual is responsible for entry of invoice, issuance of check, signing check with signature block and mailing of checks with no regular secondary review of checks under \$10,000. This condition was a prior year finding.

Criteria: Duties should be segregated such that entry of invoices, issuance of checks, signing of checks and mailing of all checks is performed by more than one individual to include checks less than \$10,000.

Effect: Due to the lack of segregation of duties, the County is susceptible to checks under \$10,000 being written without having a corresponding invoice or supporting documentation.

Recommendation: Duties should be segregated between at least two individuals to provide for comparison of checks written under \$10,000 to invoices on a regular basis.

Views or Responsible Officials: The officials concur with the findings.

Planned Corrective Plan: Management's response is located on pages 74-75.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

WALKER COUNTY, GEORGIA
SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
YEAR ENDED SEPTEMBER 30, 2012

PROJECT	ORIGINAL ESTIMATED COST	EXPENDITURES			PERCENTAGE OF COMPLETION	CUMULATIVE OTHER FUNDING
		PRIOR YEARS	CURRENT YEAR	TOTAL		
Water and sewer projects	\$ 5,000,000	\$ 2,730,854	\$ 40,258	\$ 2,771,112	55%	\$ -
Solid waste and stormwater management	1,000,000	-	-	-	0%	-
Emergency services	5,800,000	5,530,298	370	5,530,668	95%	-
Technology	2,000,000	1,243,359	748	1,244,107	62%	-
Animal shelter	30,000	-	-	-	0%	-
Historical projects	100,000	35,384	-	35,384	35%	-
Recreation	2,000,000	389,459	25,300	414,759	21%	-
Roads, bridges, and road department equipment	5,000,000	4,639,582	61,825	4,701,407	94%	1,215,889
Building construction and improvements	2,500,000	2,790,983	18,685	2,809,668	100%	-
Industrial and economic development	3,570,000	3,289,566	-	3,289,566	92%	-
Public library	1,500,000	122,044	597,189	719,233	48%	-
Payments to Cities:						
LaFayette	4,434,600	1,813,121	657,545	2,470,666	56%	-
Rossville	2,394,000	1,688,057	-	1,688,057	71%	-
Chickamauga	1,432,600	1,010,940	-	1,010,940	71%	-
Lookout Mountain	1,090,600	769,451	-	769,451	71%	-
Ft. Oglethorpe	<u>148,200</u>	<u>104,171</u>	<u>-</u>	<u>104,171</u>	70%	<u>-</u>
	<u>\$ 38,000,000</u>	<u>\$ 26,157,269</u>	<u>\$ 1,401,920</u>	<u>\$ 27,559,189</u>		<u>\$ 1,215,889</u>

Reconciliation of SPLOST expenditures per financial statements to schedule of projects:

SPLOST 2008 expenditures per financial statements \$ 5,669,083

Less debt service:

 Principal 3,755,000
 Interest and fiscal agent fees 512,163

SPLOST 2008 expenditures per schedule of projects \$ 1,401,920

Bebe Heiskell
Walker County Commissioner

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

March 27, 2013

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

Walker County, Georgia submits the following plan for corrective action regarding control deficiencies associated with our internal controls and compliance for the year ended September 30, 2012

The "Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards" issued by Johnson, Hickey & Murchison, P.C., on March 27, 2013, referenced instances of noncompliance and control deficiencies. The corrective action taken on these items is as follows:

Finding 07-1

SOME MATERIAL BALANCE SHEET ACCOUNTS, PRIMARILY FIRE AND RESCUE, WERE NOT RECONCILED TO SUPPORTING DOCUMENTATION AT YEAR END.

Accounts not reconciled to supporting documentation

Corrective Action Plan/Management Response

We concur with the recommendation. The Fire and Rescue fund has since become aware of two problems in the accounting for ambulance services; lack of adequate training and a software package not capable of properly recording and tracking insurance billings. Since year end, two new billing clerks have been hired and properly trained on billing procedures, including going through a certified billing class. Additionally, a new software package has been ordered that it is believed will properly handle the recording and tracking of the various billings.

Finding 11-1

ONE INDIVIDUAL IS RESPONSIBLE FOR ENTRY OF INVOICE, ISSUANCE OF CHECK, SIGNING OF CHECK WITH SIGNATURE BLOCK AND MAILING OF CHECKS WITH NO REGULAR SECONDARY REVIEW.

Lack of segregation of duties

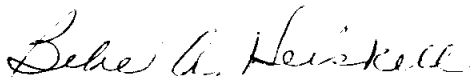
Corrective Action Plan/Management Response

We partially concur with the recommendation. Presently, checks over \$10,000 require dual manual signatures and checks in excess of \$5,000 are examined monthly and compared to the invoice by the financial officer. The bank accounts are reconciled by someone other than the check writers and the reconciliation of the bank statement is reviewed by the financial officer. Additionally, an expense detail is given to the various departments at least quarterly and any questionable invoices are followed up on.

A possible resolution to this finding was discussed and it was determined that a clerk independent of check writing responsibilities reviewing each check stub and agreeing the payee, amount and invoice number to the actual invoice would answer. This has since been put in place with any discrepancies or questionable items forwarded to the financial officer for follow up and resolution.

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

Sincerely,



Bebe A. Heiskell
Walker County Commissioner