

**WALTON COUNTY,
GEORGIA**



**ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

1

WALTON COUNTY, GEORGIA

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INDEPENDENT AUDITORS' REPORT

January 31, 2008

Board of Commissioners
Walton County, Georgia
Monroe, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of WALTON COUNTY, GEORGIA, as of, and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Commissioners of WALTON COUNTY, GEORGIA. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Walton County Health Department, a component unit of the County, as of, and for the year then ended June 30, 2007, which statements reflect total assets of \$822,508 as of June 30, 2007, and total revenues of \$1,651,522, for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion on the basic financial statements, insofar as it relates to the amounts included for the Walton County Health Department, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of WALTON COUNTY, GEORGIA, as of June 30, 2007, 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 a report dated January 31, 2008 on our consideration of WALTON COUNTY, GEORGIA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, grants, agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Pension Funding Progress, and Budgetary Comparison Schedule - General Fund are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively compromise WALTON COUNTY, GEORGIA's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 is not a required part of the basic financial statements of WALTON COUNTY, GEORGIA. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying schedule of projects constructed with Special Sales Tax Proceeds is presented for purposes of additional analysis as required by Official Code of Georgia 48-8-121, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Bates, Carter + Co, LLP

MANAGEMENT DISCUSSION & ANALYSIS

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Our discussion and analysis of Walton County's financial performance provides an overview and analysis of the County's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the County's financial statements, which begin on page 15 and the Notes to the Financial Statements, which begin on page 27.

FINANCIAL HIGHLIGHTS

- The County's net assets totaled \$157.1 million for its governmental and business-type activities, an *increase* of \$54 million over the previous fiscal year resulting from \$4.7 million net income in the general fund, collection of \$1 million impact fees, accumulation of \$5.7 million in SPLOST funds to be used for 2008 capital projects and \$5.3 million for SPLOST bond debt service due in 2008, \$38 million of donated assets, and \$4.6 million of governmental funds revenues that had been applied to repayment of debt.
- Total combined revenues for governmental and business-type activities were \$80 million, an *increase* of approximately \$20 over the previous fiscal year.
- Overall expenses were \$57 million, of which governmental activities were \$45.8 million and business-type activities were \$11.2 million, which was an increase over of approximately 30%, due primarily to the increase expenses in the areas public safety, health and welfare, water and sewer services.
- As of June 30, 2007, governmental activities' expenses exceeded program revenues, resulting in the use of \$30 million in general revenues (primarily taxes).
- In the County's business-type activities, revenues were \$14 million and expenses were \$11.2 million, for an operating income of approximately \$2.7 million 2007. This compares with operating losses of \$1.3 million for the prior fiscal year primarily as a result of \$3.8 million operating income in Water Operations. Operating losses for the County's business-type activities, Solid Waste & Recycling Operations and Emergency Medical Services, are offset by the use of general revenues.
- The General Fund resources available for appropriation were \$2,060,585 *more* than originally budgeted, and expenditures were \$5,160,132 *less* than originally budgeted.
- The combined fund balance for governmental funds as of June 30, 2007 was \$89.1 million, of which the Special Local Option Sales Tax (SPLOST) Capital Projects Fund comprised \$63.7 million, the General Fund \$17.7 million, and other governmental funds (special revenue, capital projects and debt service) the remaining \$7.6 million.
- The unreserved fund balance of \$14.9 million in the General Fund was an *increase* of \$1.9 million from the prior fiscal year.
- On July 1, 2006, the County began collecting impact fees. The County collected \$947,988 in Impact Fees in FY 2007. Collections, combined with interest earned, resulted in a fund balance of \$1.2 million.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Government-Wide financial statements, the *Statement of Net Assets* and the *Statement of Activities* (on pages 1- 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. The *Statement of Activities* presents information showing *how* the County's net assets changed during the most recent fiscal year. The governmental 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 a trustee or agent for the benefit of those outside of the government.

Government-wide Reporting:

The Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page v. 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* 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. You 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 indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall well being of the County.

In the *Statement of Net Assets* and the *Statement of Activities*, we divide the County into three kinds of activities:

- *Governmental activities*—Most of the County's basic services are reported here, including the public safety, public works, judicial, planning, development, and parks departments, as well as general administration. Property taxes, fees, fines, and state and federal grants finance most of these activities.
- *Business-type activities*—The County charges a fee to customers to help it cover the cost of certain services it provides. The County's Emergency Medical Services as well as Solid Waste and Recycling Operations are reported here.
- *Component units*—The County includes four separate legal entities in its report—the Walton County Development Authority, the Walton County Commission on Children & Youth, the Walton County Health Department, and the Walton County Water and Sewerage Authority. Although legally separate, these "component units" are important because the County is either financially accountable, or may maintain control by means of appointments to the governing boards of these organizations, or may be required by the state to report them as component units. Financial Statements for the County's component units are found beginning on page 13.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's major funds begins on page x. The fund financial statements begin on page 3 and provide detailed information about the most significant funds—not the County as a whole. Some funds are required by State law and by bond covenants. However, the County establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the U.S. Department of Justice). The County's two kinds of funds—*governmental and proprietary*—use different accounting approaches.

- *Governmental funds*—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between government-wide information (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental fund information in reconciliations on pages 4 and 6, respectively.
- *Proprietary funds*—When the County charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Activities*. In fact, the County's enterprise funds (a type of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The County's Employee Benefits and Worker's Compensation Funds, used to pay for health care and worker's compensation claims, are included in the proprietary fund group as internal service funds. The proprietary fund statements begin on page 8.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

- *Fiduciary funds*—these funds are used to account for assets held for others. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Assets on page 15 and Statement of Changes beginning on page 69. These agency funds' balances are due to other funds and others as of the fiscal year end. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

NET ASSETS:

The County's *combined* net assets increased \$54 million from a year ago—from \$103 million to \$157 million mainly due to the expansion of the water system with the acquisition of the Walton County Water Authority by the Walton County government. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 1
Net Assets
(000's Omitted)

	<u>Government Activities</u>		<u>Business - Type</u>		<u>Total Primary</u>	
	2007	2006	2007	2006	2007	2006
Assets:						
Current Assets	\$ 96,773	\$ 27,747	\$ 11,323	\$ 373	\$108,096	\$ 28,120
Restricted Assets		-		-		-
Capital Assets-net	92,076	86,164	63,407	1,016	155,483	87,180
Total Assets:	188,849	113,911	74,730	1,389	263,579	115,300
Liabilities:						
Long-term debt outstanding	\$ 67,223	9,663	34,847	111	102,070	9,774
Other Liabilities	\$ 2,980	2,462	1,390	100	4,370	2,562
Total Liabilities	70,203	12,125	36,237	211	106,440	12,336
Net Assets:						
Invested in Capital Assets, net of debt	\$ 89,276	80,891	28,786	1,016	118,062	81,907
Restricted	\$ 28,817	1,825	3,169		31,986	1,825
Unrestricted	\$ 553	19,070	6,537	163	7,090	19,233
Total Net Assets:	\$ 118,646	\$ 101,786	\$ 38,492	\$ 1,179	\$157,138	\$ 102,965

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—were \$18 million at the end of this year, as compared with \$19 million at the end of the prior year. The \$5.5 million increase in unrestricted net assets is mostly due to the items discussed on page iii. Included in the additions to capital assets are \$3.3 million in donated capital assets such as greenspace, and a vehicle in public safety.

The largest portion of the County's net assets reflected investments in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, sidewalks) less any debt used to acquire those assets that remained outstanding. The County used these capital assets to provide services to its citizens; therefore, these assets were not available for future spending.

Included in the County's combined current and other assets of \$96.2 million for governmental activities is \$5.2 million of Special Purpose Local Option Sales Tax revenue, the proceeds from the Counties two SPLOST Bonds, the first issued December 21, 2001 and the second issued February 6, 2007 for park and recreation projects, the County administration and judicial facility, various road projects, public safety projects including state patrol office, drivers license office, fire station, upgrade of E-991 towers and radios, senior center, animal shelter, and various water and sewer projects. Over the life of the SPLOST, the County has carefully monitored and conservatively projected revenues when budgeting expenditures to ensure that monthly SPLOST revenues satisfy the SPLOST debt service.

The County reported positive balances in all categories of net assets for FY 2007, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

CHANGES IN NET ASSETS:

The County's total change in net assets from the prior fiscal year was \$52.3 million.

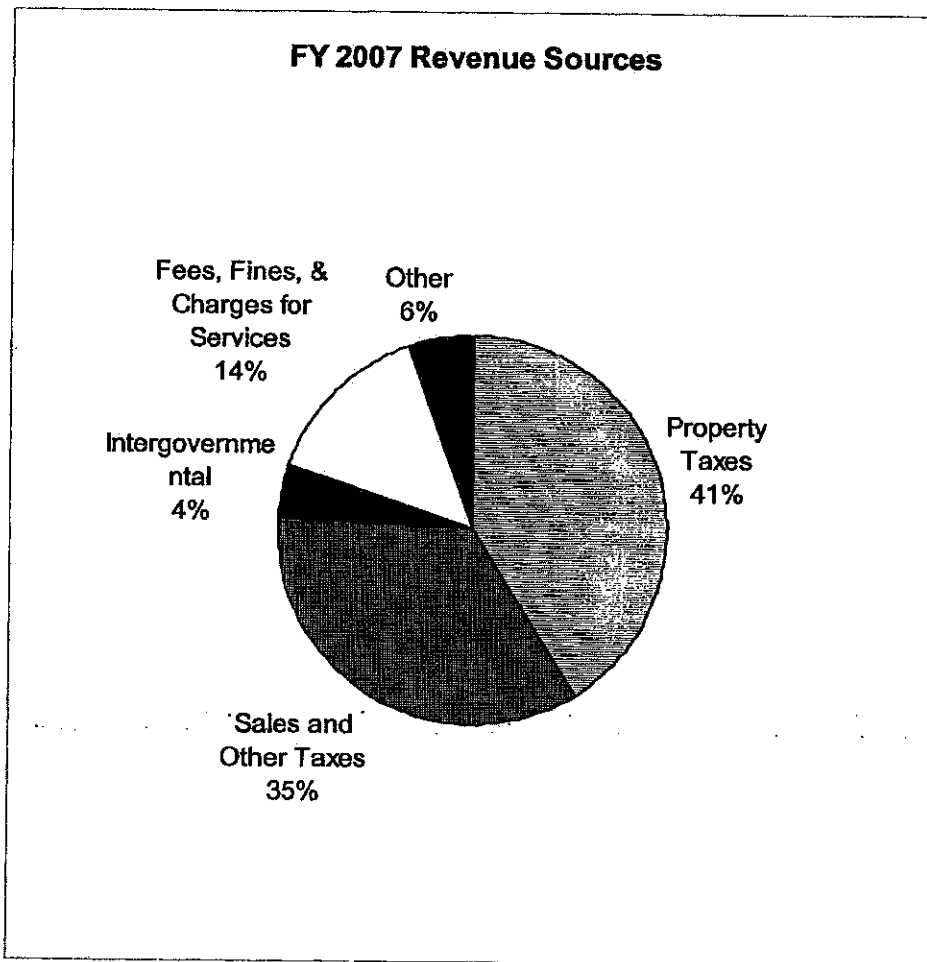
The imposition of a 1% Special Local Option Sales Tax beginning on January 1, 2002, which raised \$5.2 million in FY 2007, \$10 in FY 2006, \$8 million during FY 2005, and \$7.9 million during FY 2004, resulted in an increase in Other Tax Revenues from the prior fiscal years. As of June 30, 2007, the 2002-2006 SPLOST has raised a cumulative total of approximately \$38.2 million.

Table 2
Changes in Net Assets
(000's Omitted)

	<u>Government Activities</u>		<u>Business - Type</u>		<u>Total Primary</u>	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 8,737	\$ 8,923	9,914	1,592	18,651	10,515
Operating grants	1,391	911	-	-	1,391	911
Capital grants	5,592	3,497	-	-	5,592	3,497
General revenues:						
Property taxes	24,819	22,258	-	-	24,819	22,258
Other Taxes	21,067	20,012	-	-	21,067	20,012
Investment Earnings	2,797	953	381	2	3,178	955
Grants, Donations & Contr. - Unrestricted	1,391	1,337	3,735	-	5,126	1,337
Gain/(loss) and other	-	14	-	-	-	14
Total Revenues:	65,794	57,905	14,030	1,594	79,824	59,499
Program Expenses:						
General government	7,738	6,470	-	-	7,738	6,470
Judicial	4,354	3,838	-	-	4,354	3,838
Public Safety	19,065	15,922	2,390	1,952	21,455	17,874
Public Works	5,891	6,318	8,869	930	14,760	7,248
Health and welfare	2,190	821	-	-	2,190	821
Culture and recreation	2,763	2,315	-	-	2,763	2,315
Housing and Development	2,445	2,183	-	-	2,445	2,183
Interest and fiscal charges	1,358	697	-	-	1,358	697
Total Expenses:	45,804	38,564	11,259	2,882	57,063	41,446
Increase (decrease) in net assets before transfers	19,989	19,341	2,771	(1,288)	22,760	18,053
Transfers	(1,461)	(1,205)	1,461	1,205	-	-
Special Items - Capital contributions			33,082		33,082	
Increase (decrease) in net assets	18,528	18,136	37,314	(83)	55,842	18,053
Net Assets - beginning	101,786	84,934	1,178	1,262	102,964	86,196
Prior period adjustment	(1,669)	-	-	-	(1,669)	-
Net Assets - beginning, restated	100,117	84,934	1,178	1,262	101,295	86,196
Net Assets Ending	118,645	101,786	38,492	1,178	157,137	102,964

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

As can be seen from the chart below, approximately 41% of the County's combined total revenue was provided by property taxes and 35% by sales and other taxes. Property Taxes as a percent of the County's total revenue was up 13%. Sales and Other Taxes as a percentage of the County's total revenue were up 1%. The County charges fees for services as varied as housing stray animals, disposal of non-recyclables, providing certified copies of documents, issuing building permits, and the newly implemented impact fees. Additionally, the Courts (Superior, Probate, Magistrate & Juvenile) impose fines for violations of laws and ordinances. As a whole, fees, fines, and charges for services decreased from last year accounting for 14% of the County's revenue. The remaining 10% including 4% was mostly from intergovernmental revenues and 6%, donations and investment income.

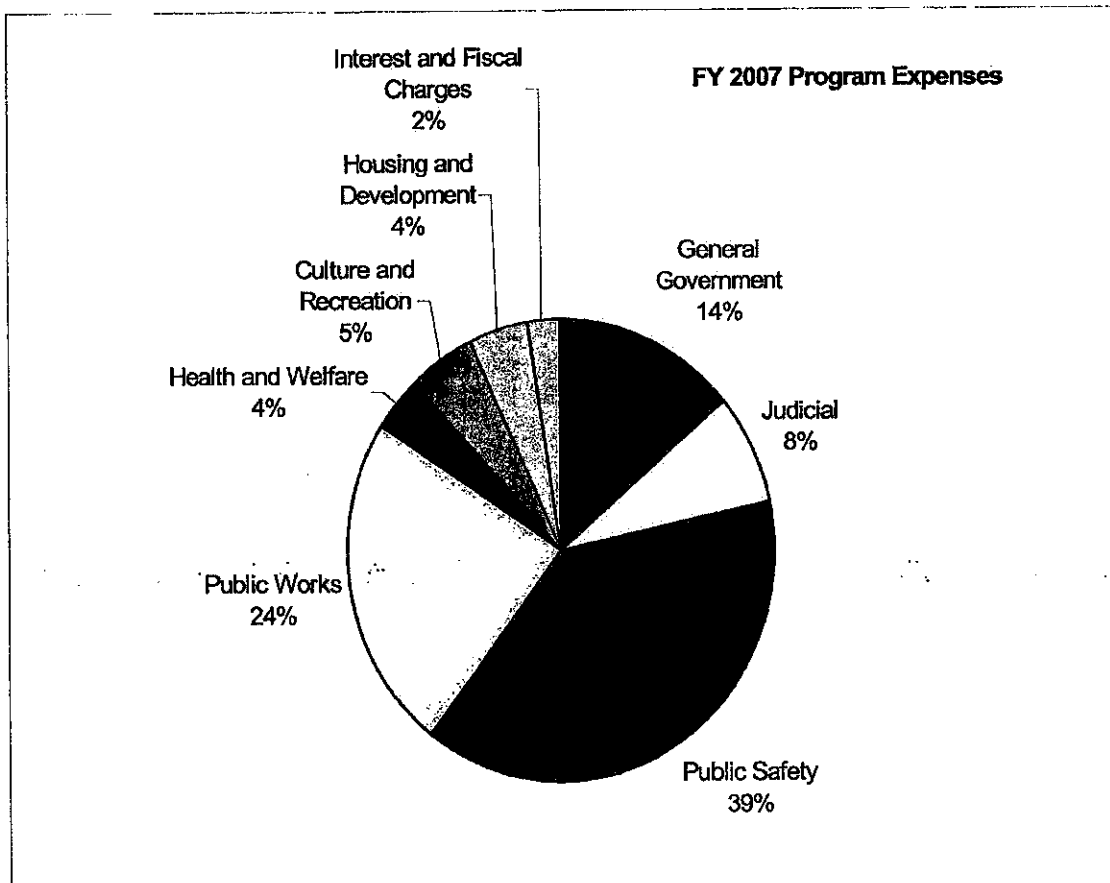


WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The County's major expense, ensuring public safety, increased to 44% of the combined total expenses. Public Safety includes law enforcement, jail operations, fire protection, E-911, coroner, animal control, and emergency management.

Expenditures for the Culture and Recreation program, which began August 2002, required only 7% of total combined expenses. This very successful countywide park and recreation program involves several thousand youth in softball, basketball, cheerleading, football, and soccer activities funded primarily by SPLOST and Impact Fee revenues.

The County continually assesses the condition of its infrastructure and engages in systematic preventive maintenance as well as improvements on the 744 miles of county-maintained roads, which includes 18.8 miles from acquiring streets in thirty-one new subdivisions. The County was able to resurface 37.50 miles of roads in FY 2007, which is 11.03 more than the 26.47 miles resurfaced in the prior fiscal year. Resurfacing costs were expended in the Public Works Program, which decreases as percentage from increased from 16% of total program expenses in FY 2006 to 10% in FY 2007.



WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The General Fund subsidized EMS \$925,246 and Solid Waste \$537,669, which is up 33% from FY 2006 for EMS and up less than 5% for Solid Waste. In the EMS Fund, operating revenues increased by approximately 29%, primarily due to increased emergency runs made by EMS, while expenses increase by 23% due to the same increase in demand for EMS services and the resulting increase in personnel related expense to meet the needs of County citizens. In the Solid Waste Fund, revenues increased by approximately 12%, due primarily to an increase in landfill use fees, while enterprise fund expenses increased approximately 8.5%. Capital Assets, net of depreciation, decreased slightly for both EMS and Solid Waste. The Water & Sewer enterprise realized an operating income of \$1.6 million in FY 2007. There was an overall increase in net assets for business-type activities of \$36 million due to the addition of a Water & Sewer Enterprise fund.

THE COUNTY'S FUNDS

Walton County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The objective of the County's governmental funds is to provide information on short-term activity and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. It should be noted, however, that the County's major revenue source—property taxes on real property—are only received once a year, approximately six months after the close of the fiscal year. The fund balance in conjunction with projected other revenues at the close of any fiscal year should be large enough to provide adequate financial resources until the next fiscal year's property taxes are received.

The County ended the 2007 fiscal year with a combined fund balance of \$89.2 million for governmental funds, including \$63.6 million reserved for SPLOST projects and \$2.5 million in Special Revenue and Capital Project Funds. The remaining fund balance remained unreserved.

Major Funds:

General Fund

The General Fund is the operating fund of the County. At the end of fiscal year 2007, the unreserved fund balance was \$17.7 million. As a measure of liquidity, it may be useful to compare the unreserved fund balance to the sum of total expenditures for the General Fund and total other financing uses. The *unreserved* General Fund balance represents 50% of that total, up from 36.5% in the previous year.

The fund balance in the general fund increased \$4.7 million during FY 2007. Tax revenues from new development and 2006 tax digest reassessments provided the bulk of the increase in General Fund revenues. Expenditure increases were primarily related to the growth in Walton County to meet public safety needs, expansion of parks and recreation facilities and services, along with repair and maintenance of the Counties roads and bridges.. The County millage rate stayed the same for 2006 property taxes received in FY 2007. In an effort to be good stewards of taxpayers' funds, County offices continued to make concerted efforts to improve efficiencies in providing necessary services. Additional information about the General Fund can be found in the Budgetary Comparison Schedule.

Special Local Option Sales Tax (SPLOST) Capital Projects Fund

The SPLOST 2001 Fund was established to account for the proceeds of the special five-year, one-cent sales tax and projects approved by the voters on September 18, 2001 for up to \$43.7 million. The G/O bond obligation issued in conjunction with the 2001 SPLOST referendum was paid off in 2007. Remaining SPLOST 2001 proceeds were spent to complete Monroe-Felker Park and work on Gratis, Bold Springs, Rabbit Farm Parks, Matthews Park, and various road projects.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The SPLOST 2007 Fund was established for the proceeds of the special five-year one-cent sales tax and projects approved by the voters on September 19, 2006 for up to \$100 million to commence July 1, 2007. The voters approved a \$58.915 million general obligation sales tax bond in conjunction with the SPLOST projects. The Bond proceeds are allocated in the following manner:

County – 911 Towers & radios, water & sewer improvements, road, bridge, & culvert improvements, parks & recreation improvement including gymnasiums, public safety upgrades and senior citizen centers upgrades.

City of Monroe – transportation, drainage & sidewalks, public safety improvements, solid waste improvements, water & sewer improvements, airport improvements, electric, CATV, and fiber improvements.

City of Loganville – transportation, drainage & sidewalk improvements, water & sewer upgrades.

City of Social Circle – transportation, drainage & sidewalk improvements, public safety improvements, cemetery & park improvements

City of Walnut Grove – transportation, drainage & sidewalk improvements, public safety improvements, library project.

City of Good Hope – transportation, drainage & sidewalk improvements, administrative facility improvements.

City of Jersey – transportation, drainage & sidewalk improvements, water & sewer improvements.

City of Between – administrative facilities.

Additional information on the SPLOST Capital Projects Fund can be found in the Schedule of Projects Constructed with SPLOST Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of principal and interest from government resources when the County is obligated for the payment. During FY 2007, the County recorded the expenditures to payoff the 2001 SPLOST Bond and recorded the revenues and expenses of the current 2007 SPLOST Bond through the Debt Service Fund. The Fund Balance increased to \$5.3 million FY 2007.

Non-Major Governmental Funds:

Liabilities in the non-major governmental funds were \$249,198, and the unreserved fund balance was slightly more than \$1.7 million for the year ended June 30, 2007 down slightly from FY 2006. The decrease due primarily to the decrease in assets in the Crime Victims Assistance Fund and the Multiple Grand Fund the non-major governmental fund totals are a combination of the following special revenue funds and capital projects funds:

Special Revenue Funds

The County uses special revenue funds to account for the collection and disbursement of revenues that are legally restricted to expenditures for specific purposes. Included in this classification are:

- 911 Emergency Communications Fund
- DARE Fund
- Forfeited Drug Seizure Fund

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

- Law Library Fund
- Crime Victim's Assistance Fund
- Drug Abuse Treatment & Education Fund
- Clerk's Authority Fund
- Juvenile Supplemental Services Fund
- Multiple Grants Fund
- Sheriff's Department Special Revenue Fund

Capital Projects Funds

The governmental capital projects funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. The County's construction projects not accounted for in the Special Local Option Sales Tax fund was a new state of the art ball field at West Walton Park in Loganville completed in 2007 and the facilitation of a CDBG grant, for \$500,000 to build the Boys and Girls Club. The American Legion contributed a total of \$400,000 to cover the cost of the ball field project in.

The Board of Commissioners adopted the Development Impact Fee Ordinance of Walton County, Georgia to "ensure that adequate public facilities are available to serve new growth and development in Walton County and to provide that new growth and development bears a proportionate share of the cost of the new public facilities needed to serve them...The Ordinance is intended to implement and be consistent with the Walton County Comprehensive Plan, as it may be adopted or amended in accord with the Georgia Comprehensive Planning Act (O.C.G.A. 50-8-1 *et seq.*); and the *Minimum Standards and Procedures for Local Comprehensive Planning* and the *Development Impact Fee Compliance Requirements*, both as adopted by the Georgia Board of Community Affairs and amended from time to time." In 2007, County impact generated 1.015 million dollars in income. Of these earnings, \$494,000 was made available for public safety projects; \$87,000 was made available for the libraries of Walton County, \$260,000 for parks and recreation projects

Proprietary Funds

The County reports three business-type activities as proprietary funds: Solid Waste and Recycling Operations, Emergency Medical Services, and Water Operations. The County began providing Emergency Medical Services on July 1, 2001 and began water operations in 2007 with the acquisition of the Walton County Water Authority.

The County's two internal service funds for employee health care and worker's compensation claims had combined assets of \$2.2 million, liabilities of \$1 million, and unreserved fund balances totaling \$1.2 million.

More detailed information about the County's proprietary funds can be found beginning on page 7.

Fiduciary Funds

These agency funds are used to account for resources held for the benefit of parties outside the government; therefore assets are equal to liabilities. Additional information is available on pages 70-72 of the Combining and Individual Fund Statements and Schedules Section. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for the intended purposes. The fiduciary funds net assets were approximately \$1.2 million.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

GENERAL FUND BUDGETARY HIGHLIGHTS

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level. The most significant budget is that of the General Fund. The County's final General Fund revenue and expenditure budgets reflect an increase of approximately \$1 million.

Few significant budget amendments were made in FY 2007. Most budget amendments were related to public safety and public works and funds were transferred from other parts of their operating budgets to cover the increase in expenditures.

The County amended the Grant Fund budgets for grants awarded to the County such as the HEAT grant awarded for the Walton County Sheriff's Department and a FEMA grant awarded for the Walton County Fire and Rescue Department.

The remaining budget amendments were a result of reimbursements for items purchased for Special Revenue Funds, such as vehicles and computers, through the General Fund to ensure that proper purchasing procedures were followed and that all capital assets were recorded.

As previously stated, by the end of fiscal year 2007, revenues, including reimbursements, exceeded expenditures resulting in a \$4.7 million increase in fund balance for the General Fund. The Board of Commissioners exerts considerable control over expenditures during the course of the fiscal year and continually seeks more efficient and cost effective means for providing services to the citizens of Walton County.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$173 million, net of accumulated depreciation. This investment in capital assets includes land, site improvements, construction-in-progress, buildings and building improvements, equipment, and infrastructure. Total capital assets, net of additions, retirements and depreciation, increased \$23 million for governmental activities and increased approximately \$62 million for business-type activities due to the inclusion of the Water Enterprise Fund. Depreciation expense for the governmental activities for the period was \$4 million and \$7.8 million was expensed for capital outlay. Additional information on Capital Assets can be found in Note 4 of the *Notes to the Financial Statements*.

Major capital asset activities in 2007 were:

- \$4 million for road resurfacing
- \$2.2 million for donated subdivision roads
- \$1.3 million for park construction and improvement
- \$64,000 for vehicles & equipment for maintenance of parks
- \$1 million for land donated
- \$604,000 for a fire truck, accessories and vehicles
- \$224,058 for 12 sheriff vehicles, including 8 interceptor cars
- \$327,000 for 3 trucks, backhoe, tractor and wacker packer
- \$40,000 for vehicles for other county departments
- \$164,000 for two ambulances

**WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007**

Long-term Debt

As of June 30, 2007, Walton County had \$62.9 million in outstanding debt principal, of which \$4.7 million was due within one year. Of the debt due within one year, \$3.8 million represented principal payments on the \$27,880,000 General Obligation Special Local Option Sales Tax Bonds issued December 21, 2001. Standard and Poor's assigned this bond issue a "AAA" rating. As previously stated, the 1% SPLOST generated \$38.2 million from January 1, 2002 through June 30, 2007 and \$58 million represents the bond principal for the 2007 General Obligation Special Local Option Sales Tax Bonds issued in February 2007. The remaining long term debt is comprised of waterline and reservoir agreements with Newton County, capital leases on equipment, and Four County Industrial Development bond issue.

Additional information about the County's long-term debt can be found in Note 6 of the *Notes to the Financial Statements*.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Commissioners sets rigorous standards for sound financial management of the County, regularly considering the needs of the community in light of the costs to provide for those needs and the various sources of funding available. County employees received a 3% cost of living increase during FY 2007

The Board of Commissioners annually adopts a balanced budget, sets the millage rate to provide general revenues to cover the costs of all county programs that are not covered by specific program revenues, maintains an adequate unreserved general fund balance, and adopts financial policies to enhance the ability to maintain a safe and sound financial structure for the County.

The County's elected and appointed officials considered many factors when setting the fiscal-year 2007 fund budgets and tax rates. One of those factors was the economy. Economic activity in Walton County followed regional and national trends. Retail sales and related taxes increased during the year. As development occurred, the tax digest increased, and the County was able to maintain satisfactory levels of service to its citizens and hold the millage rate constant.

The Commissioners actively participate in regional planning with State and Federal agencies, neighboring counties and the counties in the Atlanta metropolitan area, as well as with the municipalities within the County to maximize services to our citizens and minimize the costs of providing those services. Growth will undoubtedly bring increased demands on existing infrastructure, water supply, wastewater treatment, and solid waste disposal. The County pursued the reorganization of the Walton County Water and Sewage Authority, approved by the State of Georgia Legislature on April 15, 2005, in order to plan and secure the future water service and supply requirements for the Citizens of Walton County. The County staff is working with engineers to determine the best capital improvement plan and financial projections for land acquisition, water distribution and transmission, and wastewater collection and treatment.

The Board of Commissioners is dedicated to planning and preparing for growth. The Comprehensive Land Use plan revision of 2004 is one of the tools utilized by the Board to ensure that the needs and concerns of the citizens of Walton County are met. The Board plans to update the Comprehensive Land Use Plan early in FY 2007.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Walton County Finance Department, at 303 South Hammond Drive, Suite 333, Monroe, Georgia 30655.

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BASIC FINANCIAL STATEMENTS

WALTON COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 26,010,965	\$ 5,550,967	\$ 31,561,932	\$ 1,478,781
Cash and cash equivalents - restricted	62,702,874	-	62,702,874	-
Certificate of deposit	-	1,288,989	1,288,989	-
Investments	-	-	-	-
Receivables, net of allowance				
Accounts	4,783,073	1,739,564	6,522,637	72,010
Intergovernmental	-	-	-	14,861
Internal balances	436,199	(436,199)	-	-
Restricted cash	-	3,168,528	3,168,528	-
Inventories	93,983	10,893	104,876	-
Prepaid items	70,697	-	70,697	3,163
Net pension obligation	299,908	-	299,908	-
Bond issuance costs	534,362	-	534,362	546,109
Investment in joint venture	1,841,406	-	1,841,406	-
Construction in progress held for resale	-	-	-	827,501
Capital lease receivable - current	-	-	-	4,555,890
Capital lease receivable - long-term	-	-	-	30,063,912
Sub-total	96,773,467	11,322,742	108,096,209	37,562,227
Capital assets				
Nondepreciable	20,390,625	17,275,923	37,666,548	1,995,511
Depreciable, net	71,685,117	46,130,616	117,815,733	16,922
Capital assets, net of depreciation	92,075,742	63,406,539	155,482,281	2,012,433
Total Assets	188,849,209	74,729,281	263,578,490	39,574,660
Liabilities				
Accounts payable	1,235,944	608,288	1,844,232	56,536
Accrued expenses	408,098	93,560	501,658	400,572
Accrued interest	1,164,629	-	1,164,629	-
Customer deposits	-	688,170	688,170	-
Funds held in trust	171,168	-	171,168	30,372
Unearned revenue	-	-	-	116,134
Noncurrent liabilities				
Due within one year:				
Claims payable	586,684	-	586,684	-
Compensated absences	823,162	151,829	974,991	23,027
Capital lease payable	25,289	4,555,890	4,581,179	-
Notes payable	253,000	-	253,000	4,015,165
Contracts payable	178,960	-	178,960	-
Bonds payable	4,394,561	-	4,394,561	540,726
Due in more than one year:				
Bonds payable	56,690,524	-	56,690,524	18,766,265
Claims payable	406,596	-	406,596	-
Compensated absences	298,311	75,282	373,593	76,564
Capital lease payable	-	30,063,912	30,063,912	-
Contracts payable	3,060,282	-	3,060,282	-
Notes payable	506,000	-	506,000	11,044,638
Total Liabilities	70,203,208	36,236,931	106,440,139	35,069,999
Net Assets				
Invested in capital assets, net of related debt	89,275,978	28,786,737	118,062,715	16,922
Restricted for				
Capital projects	5,476,592	-	5,476,592	-
Debt service	4,186,212	2,418,495	6,604,707	-
Construction	-	750,033	750,033	-
Public safety	-	-	-	-
Program purpose	19,154,175	-	19,154,175	688,539
Unrestricted (deficit)	553,044	6,537,085	7,090,129	3,799,200
Total Net Assets	\$ 118,646,001	\$ 38,492,350	\$ 157,138,351	\$ 4,504,661

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities			Total
			Grants and Contributions	Grants and Contributions			Governmental	Business-Type		
Primary Government:										
Governmental Activities										
General government	\$ 7,738,027	\$ 2,065,354	\$ 44,450	\$ -	\$ -	\$ (5,628,223)	\$ -	\$ -	\$ (5,628,223)	
Public safety	19,064,803	1,928,231	264,591	12,220		(16,859,761)			(16,859,761)	
Public works	5,891,038	14,085	683,461	4,775,951		(417,541)			(417,541)	
Judicial	4,353,735	2,015,105	183,572	-		(2,155,058)			(2,155,058)	
Health and welfare	2,189,666	188,803	187,700	500,000		(1,313,163)			(1,313,163)	
Culture and recreation	2,763,534	339,726	-	304,104		(2,119,704)			(2,119,704)	
Housing & development	2,444,910	2,185,417	26,996	-		(232,497)			(232,497)	
Interest on long-term debt	1,357,784	-	-	-		(1,357,784)			(1,357,784)	
Total governmental activities	45,803,497	8,736,721	1,390,770	5,927,275		(30,083,731)			(30,083,731)	
Business-Type Activities										
EMS	2,390,483	1,463,065	-	-		(927,418)			(927,418)	
Water & Sewer	7,826,738	7,945,539	-	3,734,556		3,853,357			3,853,357	
Solid Waste	1,042,113	505,432	-	-		(536,681)			(536,681)	
Total business-type activities	11,259,334	9,914,036	-	3,734,556		2,389,258			2,389,258	
Total Primary Government	\$ 57,062,831	\$ 18,650,757	\$ 1,390,770	\$ 9,926,831	\$ (30,083,731)	\$ 2,389,258	\$ (27,694,473)	\$ -	\$ (549,120)	
Total Component Units	\$ 3,662,524	\$ 1,193,613	\$ 1,919,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (549,120)	
General Revenues										
Property tax						24,818,043			24,818,043	
Sales tax						17,467,161			17,467,161	
Insurance premium						1,845,945			1,845,945	
Real estate recording						1,033,934			1,033,934	
Other						720,545			720,545	
Total taxes						45,885,628			45,885,628	
Interest earnings						2,796,924		381,593	3,178,517	
Grants and contributions not restricted to specific programs						1,391,304		-	1,391,304	
Transfers						(1,461,236)		1,461,236	-	
Special item - capital contributions						-		33,081,596	33,081,596	
Total general revenues, special items and transfers						48,612,620		34,924,425	1,391,304	
Change in Net Assets						18,528,889		37,313,683	55,842,572	
Net Assets - Beginning of year, previously stated						101,786,006		1,178,667	102,964,673	
Prior period adjustment						(1,668,894)		-	(1,668,894)	
Net Assets - Beginning of year, restated						100,117,112		1,178,667	101,295,779	
Net Assets - End of year						\$ 118,646,001		\$ 38,492,350	\$ 157,138,351	

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Capital Projects 2001 SPLOST	Capital Projects 2007 SPLOST	Debt Service Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 16,053,070	\$ 5,666,412	\$ -	\$ 3,600,229	\$ 2,443,301	\$ 27,763,012
Cash and cash equivalents-restricted	-	-	59,102,645	-	-	59,102,645
Receivables (Net of allowance for uncollectibles)	2,414,223	-	-	1,722,118	307,325	4,443,666
Inventories	93,983	-	-	-	-	93,983
Due from other funds	1,216,285	36,360	-	-	38,042	1,290,687
Total Assets	\$ 19,777,561	\$ 5,702,772	\$ 59,102,645	\$ 5,322,347	\$ 2,788,668	\$ 92,693,993
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 728,295	47,965	337,311	\$ -	\$ 112,200	\$ 1,225,771
Accrued liabilities	385,557	-	-	-	22,541	408,098
Due to other funds	38,042	178,215	510,112	-	128,119	854,488
Funds held in trust	4,193	-	-	-	166,975	171,168
Deferred revenue	927,818	-	-	-	-	927,818
Total Liabilities	2,083,905	226,180	847,423	-	429,835	3,587,343
Fund Balances:						
Reserved for:						
Inventories	93,983	-	-	-	-	93,983
Debt service	-	-	-	5,322,347	-	5,322,347
Capital projects	-	5,476,592	58,255,222	-	1,315,460	65,047,274
Unreserved:						
Designated, reported in:						
General fund	2,700,000	-	-	-	-	2,700,000
Undesignated, reported in:						
General fund	14,899,673	-	-	-	-	14,899,673
Special Revenue Funds	-	-	-	-	1,043,373	1,043,373
Capital Project Funds	-	-	-	-	-	-
Total Fund Balances	17,693,656	5,476,592	58,255,222	5,322,347	2,358,833	89,106,650
Total Liabilities and Fund Balances	\$ 19,777,561	\$ 5,702,772	\$ 59,102,645	\$ 5,322,347	\$ 2,788,668	\$ 92,693,993

See accompanying notes to the basic financial statements

WALTON COUNTY

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2007

Total Fund Equity per Balance Sheet of Governmental Funds \$ 89,106,650

Amounts reported for governmental activities in the Statement of Net Assets differ from amounts reported in the Balance Sheet of Governmental Funds due to the following.

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 assets are capitalized and expensed over their estimated lives through annual depreciation expense.

Capital assets, net of accumulated depreciation 92,075,742

Asset related to investment in joint venture 1,841,406

Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds

Property taxes	508,436	
Fines	419,382	
		927,818

Net pension obligation is not available during the current period and therefore, is not reported in the funds 299,908

Internal service funds are used by management to charge the costs of health and workers' compensation insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. 1,254,833

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not 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.

Notes payable	(759,000)	
Contracts payable	(3,239,242)	
Bonds payable	(58,915,000)	
Bond premium	(2,170,085)	
Bond issuance costs	534,362	
Capital lease payable	(25,289)	
Accrued interest	(1,164,629)	
Compensated absences	(1,121,473)	
		(66,860,356)

Total Adjustments 29,539,351

Total Net Assets of Governmental Activities \$ 118,646,001

See accompanying notes to the basic financial statements

WALTON COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Capital Projects 2001 SPLOST	Capital Projects 2007 SPLOST	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 35,162,453	\$ 5,248,724	\$ -	\$ 5,308,630	\$ -	\$ 45,719,807
Intergovernmental	1,719,251	-	-	-	798,126	2,517,377
Licenses and permits	788,402	-	-	-	947,988	1,736,390
Fines and forfeitures	1,501,686	-	-	-	332,969	1,834,655
Charges for Services	3,613,049	-	-	-	1,338,484	4,951,533
Interest earnings	947,078	454,173	1,275,611	13,717	106,345	2,796,924
Donations	3,261	-	-	-	414,327	417,588
Other revenues	183,049	-	-	-	28,560	211,609
Total Revenues	43,918,229	5,702,897	1,275,611	5,322,347	3,966,799	60,185,883
Expenditures:						
Current:						
General government	6,500,677	117,252	-	-	6,235	6,624,164
Public safety	14,838,222	-	-	-	1,614,558	16,452,780
Public works	3,848,879	-	-	-	-	3,848,879
Judicial	3,927,762	-	-	-	285,762	4,213,524
Health and welfare	552,515	-	-	-	831,648	1,384,163
Recreation	2,322,874	64,590	-	-	87,970	2,475,434
Housing and development	1,737,745	-	-	-	-	1,737,745
Intergovernmental	-	-	682,099	650,000	-	1,332,099
Debt Service						
Principal	-	3,750,000	-	873,463	-	4,623,463
Interest and fiscal charges	-	79,687	-	267,507	-	347,194
Issuance costs	-	-	582,941	-	-	582,941
Capital Outlay	1,886,679	1,856,926	3,037,715	-	1,045,335	7,826,655
Total Expenditures	35,615,353	5,868,455	4,302,755	1,790,970	3,871,508	51,449,041
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,302,876	(165,558)	(3,027,144)	3,531,377	95,291	8,736,842
Other Financing Sources (Uses)						
Sale of capital assets	85,887	-	-	-	-	85,887
Bond debt issued	-	-	58,915,000	-	-	58,915,000
Premium on bond issuance	-	-	2,367,366	-	-	2,367,366
Transfers from other funds	113,904	15	-	1,789,970	520,191	2,424,080
Transfers to other funds	(3,802,492)	-	-	-	(82,824)	(3,885,316)
Total other financing sources (uses)	(3,602,701)	15	61,282,366	1,789,970	437,367	59,907,017
Net change in fund balances	4,700,175	(165,543)	58,255,222	5,321,347	532,658	68,643,859
Fund Balance, beginning of year	12,993,481	5,642,135	-	1,000	1,826,175	20,462,791
Fund Balance, end of year	\$ 17,693,656	\$ 5,476,592	\$ 58,255,222	\$ 5,322,347	\$ 2,358,833	\$ 89,106,650

See accompanying notes to the basic financial statements

WALTON COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net Changes In Fund Balances - Total Governmental Funds		<u>\$ 68,643,859</u>
Amounts reported for governmental activities in the statement of activities are different as a result of:		
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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.		
Depreciation expense	(4,101,855)	
Capital outlay	<u>7,826,655</u>	3,724,800
In the statement of activities, only the gain/loss on the sale of various equipment is reported, whereas in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets disposed.		
Net book value of assets disposed		(920,019)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Principal payments on debt	4,623,463	
Proceeds from issuance of debt	(58,915,000)	
Amortization of deferred charges	(78,188)	
Amortization of bond premiums	232,429	
Issuance costs	582,941	
Increase in accrued interest	(1,164,629)	
Bond premium	<u>(2,367,366)</u>	(57,086,350)
Compensated absences reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences, current year	(1,121,473)	
Compensated absences, prior year	<u>980,569</u>	(140,904)
Internal service funds are used by management to charge the costs of health and workers' compensation insurance to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
		(713,359)
Equity interest in investments in joint ventures change related to the value of the joint venture's net assets. Joint ventures are not reported in governmental funds.		
		329,712
Revenues reported in the funds that relate to prior years are not reported as revenues in the statement of activities.		
Donated assets	4,775,951	
Taxes, current year	508,436	
Taxes, prior year	(342,817)	
Fines, current year	419,382	
Fines, prior year	<u>(746,588)</u>	4,614,364
Net pension obligation is not available during the current period and therefore is not reported in the funds.		
Net pension obligation, current year	299,908	
Net pension obligation, prior year	<u>(223,122)</u>	76,786
Total Adjustments		<u>(50,114,970)</u>
Change in Net Assets of Governmental Activities		<u>\$ 18,528,889</u>

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	EMS	Water & Sewer	Solid Waste	Total	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 3,428	\$ 5,451,734	\$ 95,805	\$ 5,550,967	\$ 1,848,182
Restricted cash and cash equivalents	-	3,168,528	-	3,168,528	-
Investments	-	1,288,989	-	1,288,989	-
Receivables:					
Accounts	599,656	1,105,113	34,795	1,739,564	339,408
Interfund receivable	-	-	-	-	-
Inventories	-	10,893	-	10,893	-
Prepayments	-	-	-	-	70,697
Total Current Assets	603,084	11,025,257	130,600	11,758,941	2,258,287
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	-	16,923,803	352,120	17,275,923	-
Depreciable, net	281,754	45,569,124	279,738	46,130,616	-
Total Capital Assets	281,754	62,492,927	631,858	63,406,539	-
Total Assets	884,838	73,518,184	762,458	75,165,480	2,258,287
Liabilities					
Current Liabilities:					
Accounts payable	35,998	551,539	20,751	608,288	10,173
Accrued expenses	41,981	39,248	12,331	93,560	-
Compensated absences payable	64,316	60,541	26,972	151,829	-
Interfund payable	212,938	223,261	-	436,199	-
Consumer deposits	-	688,170	-	688,170	-
Claims payable	-	-	-	-	586,684
Capital lease-current portion	-	4,555,890	-	4,555,890	-
Total Current Liabilities	355,233	6,118,649	60,054	6,533,936	596,857
Noncurrent Liabilities:					
Capital lease-long-term	-	30,063,912	-	30,063,912	-
Compensated absences	36,712	21,940	16,630	75,282	406,596
Total Noncurrent Liabilities	36,712	30,085,852	16,630	30,139,194	406,596
Total Liabilities	391,945	36,204,501	76,684	36,673,130	1,003,453
Net Assets					
Invested in capital assets, net of related debt	281,754	27,873,125	631,858	28,786,737	-
Restricted for debt service	-	2,418,495	-	2,418,495	-
Restricted for construction	-	750,033	-	750,033	-
Unrestricted	211,139	6,272,030	53,916	6,537,085	1,254,833
Total Net Assets	\$ 492,893	\$ 37,313,683	\$ 685,774	\$ 38,492,350	\$ 1,254,833

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	EMS	Water & Sewer	Solid Waste	Total	
Operating Revenues					
Water sales	\$ -	\$ 7,553,458	\$ -	\$ 7,553,458	\$ -
Connect fees	-	375,268	-	375,268	-
Charges for services	1,463,065	16,813	505,432	1,985,310	4,907,330
Total Operating Revenues	1,463,065	7,945,539	505,432	9,914,036	4,907,330
Operating Expenses					
Administrative	-	-	-	-	577,167
Claims paid	-	-	-	-	4,967,603
Fiduciary fees	-	-	-	-	9,655
Insurance	-	81,307	-	81,307	178,009
Water & sewer purchases	-	1,994,627	-	1,994,627	-
Salaries and benefits	2,089,412	1,545,752	703,250	4,338,414	-
Purchased services	31,309	799,172	35,311	865,792	-
Repairs & maintenance	-	283,330	-	283,330	-
Materials and supplies	159,018	-	90,223	249,241	-
Disposal fees	-	-	132,320	132,320	-
Depreciation	97,469	1,604,347	48,764	1,750,580	-
Total Operating Expenses	2,377,208	6,308,535	1,009,868	9,695,611	5,732,434
Operating Income (Loss)	(914,143)	1,637,004	(504,436)	218,425	(825,104)
Non-Operating Revenues (Expenses)					
Loss on disposal of capital assets	(13,275)	(335,055)	(32,245)	(380,575)	-
Interest expense	-	(1,183,148)	-	(1,183,148)	-
Interest earnings	2,172	378,730	691	381,593	111,745
Total Non-operating Revenues (Expenses)	(11,103)	(1,139,473)	(31,554)	(1,182,130)	111,745
Income (Loss) before Contributions and Transfers	(925,246)	497,531	(535,990)	(963,705)	(713,359)
Contributions and Transfers					
Capital contribution	-	33,081,596	-	33,081,596	-
Donated water lines	-	2,817,126	-	2,817,126	-
Tap fees in excess of cost	-	898,023	-	898,023	-
Other contributions	-	19,407	-	19,407	-
Transfers from other funds	925,246	-	535,990	1,461,236	-
Total Contributions and transfers	925,246	36,816,152	535,990	38,277,388	-
Change in Net Assets	-	37,313,683	-	37,313,683	(713,359)
Net Assets, beginning of year	492,893	-	685,774	1,178,667	1,968,192
Net Assets, end of year	\$ 492,893	\$ 37,313,683	\$ 685,774	\$ 38,492,350	\$ 1,254,833

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	EMS	Water & Sewer	Solid Waste	Total	
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash received from customers and others	\$ 1,185,345	8,040,139	\$ 493,336	\$ 9,718,820	268,955
Internal activity - payments from other funds	\$ -				5,352,706
Cash payments to employees for services	(1,840,737)	(1,507,679)	(695,985)	(4,044,401)	-
Cash payments for goods and services	(176,360)	(2,960,207)	(260,881)	(3,397,448)	(5,948,078)
Net Cash Provided by (Used in) Operating Activities	(831,752)	3,572,253	(463,530)	2,276,971	(326,417)
Cash Flows from Capital and Related Financing Activities					
Principal reduction of capital lease	-	(1,066,126)	-	(1,066,126)	-
Proceeds from sale of assets	-	29,999	-	29,999	-
Capital contribution Walton Co Water Authority	-	12,536,189	-	12,536,189	-
Capital contributions and donations	-	917,430	-	917,430	-
Interest paid	-	(1,572,102)	-	(1,572,102)	-
Acquisition of assets	(92,238)	(6,796,778)	-	(6,889,016)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(92,238)	4,048,612	-	3,956,374	-
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	925,246	-	535,990	1,461,236	-
Net Cash Flows from Noncapital Financing Activities	925,246	-	535,990	1,461,236	-
Cash Flows from Investing Activities					
Proceeds from investments	-	620,667	-	620,667	6,665,579
Purchase of investments	-	-	-	-	(5,071,167)
Interest earnings	2,172	378,730	691	381,593	83,330
Net Cash Flows from Investing Activities	2,172	999,397	691	1,002,260	1,677,742
Net Increase (Decrease) in Cash and Cash Equivalents	3,428	8,620,262	73,151	8,696,841	1,351,325
Cash and Cash Equivalents Beginning of Year	-	-	22,574	22,574	496,857
Cash and Cash Equivalents End of Year	\$ 3,428	\$ 8,620,262	\$ 95,725	\$ 8,719,415	\$ 1,848,182
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ (914,143)	1,637,004	\$ (504,436)	\$ 218,425	(825,104)
Adjustments:					
Depreciation	97,469	1,604,347	48,764	1,750,580	-
(Increase) Decrease in Assets:					
Accounts receivable	(277,720)	57,276	(12,096)	(232,540)	(164,998)
Due from other funds	-	-	-	-	445,376
Inventories	-	(10,893)	5,922	(4,971)	-
Prepayments	-	21,656	-	21,656	(22,145)
Increase (Decrease) in Liabilities:					
Accounts payable	13,967	(35,795)	(8,899)	(30,727)	(6,940)
Claims payable	-	-	-	-	247,394
Accrued wages	8,127	38,073	1,243	47,443	-
Customer deposits	-	37,324	-	37,324	-
Interfund receivable/payable	212,938	223,261	-	436,199	-
Compensated absences	27,610	-	6,052	33,662	-
Net Cash Provided by (Used in) Operating Activities	(831,752)	3,572,253	(463,450)	2,277,051	(326,417)

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 623,975</u>
Liabilities	
Due to others	<u>\$ 623,975</u>
Total Liabilities	<u>\$ 623,975</u>

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 JUNE 30, 2007

	Walton County			Commission	
	Water	Development	Health	on Children	
	Authority	Authority	Department	& Youth	Total
Assets					
Cash and cash equivalents	\$ -	\$ 568,086	\$ 740,808	\$ 169,887	\$1,478,781
Receivables, net of allowance	-	-	72,010	-	72,010
Prepayments	-	3,163	-	-	3,163
Due from primary government	-	-	-	14,861	14,861
Deferred charges	546,109	-	-	-	546,109
Construction in progress held for resale	-	827,501	-	-	827,501
Capital lease receivable-current	4,555,890	-	-	-	4,555,890
Capital lease receivable-long-term	30,063,912	-	-	-	30,063,912
Capital assets:	-	-	-	-	-
Capital assets not being depreciated -	-	1,995,511	-	-	1,995,511
Capital assets being depreciated	-	41,968	178,918	-	220,886
Less accumulated depreciated	-	(34,736)	(169,228)	-	(203,964)
Total Assets	35,165,911	3,401,493	822,508	184,748	39,574,660
Liabilities and Fund Balances					
Liabilities					
Accounts payable	-	48,461	8,075	-	56,536
Accrued liabilities	400,572	-	-	-	400,572
Funds held in trust	-	20,000	-	10,372	30,372
Deferred revenue	-	-	-	116,134	116,134
Compensated absences	-	-	23,027	-	23,027
Notes payable - current portion	4,015,165	-	-	-	4,015,165
Bonds payable - current portion	540,726	-	-	-	540,726
Noncurrent liabilities:	-	-	-	-	-
Due in more than one year	-	-	-	-	-
Compensated absences	-	-	76,564	-	76,564
Notes payable	11,044,638	-	-	-	11,044,638
Bonds payable	18,766,265	-	-	-	18,766,265
Total Liabilities	34,767,366	68,461	107,666	126,506	35,069,999
Net Assets					
Invested in capital assets, net of related debt	-	7,232	9,690	-	16,922
Restricted for health services	-	-	688,539	-	688,539
Unrestricted	398,545	3,325,800	16,613	58,242	3,799,200
Total Net Assets	\$ 398,545	\$ 3,333,032	\$ 714,842	\$ 58,242	4,504,661

See accompanying notes to the basic financial statements

WALTON COUNTY, GEORGIA

COMBINING STATEMENT OF ACTIVITY
COMPONENT UNITS

FOR THE YEAR ENDED JUNE 30, 2007

	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Water Authority	Development Authority	Health Department	Commission on Children & Youth	Total
Walton Co Water Authority								
Interest expense	\$ 1,627,109	\$ -	\$ -	\$ (1,627,109)	\$ -	\$ -	\$ -	\$ -
Total Water Authority	1,627,109	-	-	(1,627,109)	-	-	-	-
Development Authority	239,075	887,511	-	-	1,169,942	-	-	-
Health Department	1,729,440	960,952	-	-	-	(113,346)	-	-
Commission on Children & Youth	66,900	71,328	-	-	-	-	21,393	-
Total Component Units	\$ 3,662,524	\$ 1,919,791	\$ -	\$ (1,627,109)	\$ 1,169,942	\$ (113,346)	\$ 21,393	\$ (549,120)
General Revenues								
Unrestricted investment earnings				1,572,973	43,171	35,428	3,340	1,654,912
Total General Revenues				1,572,973	43,171	35,428	3,340	1,654,912
Special item - capital contribution to Walton County				(33,081,596)	-	-	-	(33,081,596)
Change in net assets				(33,135,732)	1,213,113	(77,918)	24,733	(31,975,804)
Net assets, beginning of year				33,534,277	3,309,219	792,760	33,509	37,669,765
Prior period adjustment				-	(1,189,300)	-	-	(1,189,300)
Net assets, beginning of year, restated				33,534,277	2,119,919	792,760	33,509	36,480,465
Net assets, end of year				\$ 398,545	\$ 3,333,032	\$ 714,842	\$ 58,242	\$ 4,504,661

See accompanying notes to the basic financial statements

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NOTES TO THE FINANCIAL STATEMENTS

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007

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WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

Walton County, Georgia (the "County") was chartered by an act of the General Assembly of the State of Georgia. The County operates under a County Commission form of government and provides the following services as authorized by state law: general administrative services, public safety, roads and bridges, courts and health and welfare. The County also operates three enterprise funds, emergency medical services, water and sewer and solid waste.

Note 1 – Summary of Significant Accounting Policies

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The County also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the County's accounting policies are described below.

1-A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the County consists of all funds, departments, boards and agencies that are not legally separate from the County. For the County, this entity includes the probate court, the superior court, the magistrate court, the tax commissioner, the sheriff, and planning and zoning.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organizations; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the County in that the County approves the budget, levies their taxes or issues their debt. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

Discretely presented component units:

Walton County Water and Sewer Authority – The Authority exists to acquire, construct and operate a water and sewerage system to provide services to individuals, public and private corporations and municipal corporations. The governing board of the Authority consists of seven members, all appointed by the Board of Commissioners who also ratify decisions of the Authority.

Walton County Development Authority - The Authority exists for the purpose of promoting and developing for the public good and general welfare, industry and trade, trade commerce and employment opportunity in the County. The County makes all appointments to the Board.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

Additionally, the County is financially liable for the mortgage indebtedness of the Authority in case of default. The Authority does not issue separate component unit financial statements. During 2007, the County transferred \$887,511 to the Authority.

Walton County Health Department – This agency, created in 1964 by state legislation, offers immunizations and other direct health service to citizens of Walton County as well as family planning and other preventive types of services. While a local board is appointed to oversee the operations of this agency, it is a state dependent agency. The State of Georgia contributes significant funding to this agency and exercises control over salaries and other expenditures. During 2007, the County transferred \$229,618 to the Health Department.

Walton County Commission on Children and Youth – The Commission provides counseling and care services for children and youth around the county. This commission is funded by donations and grants from various sources. The Commission does not issue separate component unit financial statements. During 2007, the County transferred \$71,328 to the Commission.

Complete financial statements of the individual component units can be obtained directly from their administrative office as follows:

Walton County Health Department
P.O. Box 150
Monroe, Georgia 30655

Walton County Water and Sewer Authority
P. O. Box 8080
Monroe, Georgia 30655

1-B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information on all of the nonfiduciary activities of the primary government and its component units. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the County and its discretely presented component units at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the statement of activities.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting - The County uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The County uses three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Government funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between governmental fund assets and liabilities as fund balance. The following are the County's major governmental funds:

The General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Georgia.

The SPLOST 2001 & 2007 Capital Project Funds - The capital project funds collect sale taxes and uses these revenues to complete various budgeted roads, streets, and bridges projects, recreation projects, and economic development projects.

The Debt Service Fund - The debt service fund collects sales taxes and uses these revenues to retire the County's outstanding general obligation debt.

WALTON COUNTY, GEORGIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(CONTINUED)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The County's three enterprise funds are reported as major funds. The following describes the County's enterprise funds:

The Emergency Medical Services Fund - This fund is used to account for the operation and maintenance of the County's ambulance service.

The Water and Sewer Fund - This fund is used to account for the operations and maintenance of the County's water and sewer system.

The Solid Waste Fund - This fund is used to account for the County's landfill, disposal sites and recycling center.

Internal Service Funds - These funds account for operations that provide services to other departments or agencies of the government on a cost reimbursement basis. The County uses internal service funds to account for employee healthcare and workers' compensation.

Agency Funds - These funds are custodial in nature and do not represent results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the government holds for others in an agency capacity.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities reports revenues and expenses.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, the phrase “available for exchange transactions” means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants and donations. On an accrual basis, revenue from sales taxes is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales taxes and federal and state grants.

Deferred/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenues are reclassified as “*unearned revenue*” on the government-wide statement of net assets.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the County.

Investments are stated at fair value based on quoted market prices.

Georgia law authorizes the County to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for uncollectibles, where applicable.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4 Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

1-E-5 Restricted Assets

These assets are reported in the Walton County Water and Sewer Authority (a discretely presented component unit), SPLOST 2007 and debt service funds and relate to assets set aside for revenue bond retirement.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

1-E-6 Capital Assets

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of five thousand dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized by the enterprise fund is capitalized.

All reported capital assets are depreciated except for land, right-of-ways and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Infrastructure	30
Building & Improvements	20-50
Machinery and equipment	5-12
Vehicles	5
Furniture & Fixtures	10

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are not vested.

All compensated absence liabilities include salary-related payments, where applicable.

WALTON COUNTY, GEORGIA

NOTES TO THE BASIC FINANCIAL STATEMENTS

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(CONTINUED)

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1-E-8 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. General obligation bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

1-E-9 Bond Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets and the proprietary fund type statement of net assets, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At governmental fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as an expenditure.

1-E-10 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets – Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net asset amount also is adjusted by any bond issuance deferral amounts. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for water, solid waste, the forum, recycling and the workers' compensation programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of each fund. Investment earnings are classified as nonoperating revenues. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

1-E-12 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction.

1-E-13 Interfund Activity

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 the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-14 Estimates

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States, 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.

Note 2 – Stewardship, Compliance and Accountability

2-A. Budgetary Information

The County adopts an annual operating budget for the general fund, each special revenue fund and the debt service fund. A project budget is adopted for each capital projects fund. The budget resolution reflects the total of each department's appropriation in each fund.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

The general fund budget is adopted on a basis consistent with GAAP except that the occurrence of capital lease obligations and the related capital lease expenditures are not budgeted. Budgets for the special revenue funds are adopted on a basis consistent with GAAP. Budgets for capital projects funds are adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget generally is the department level within each individual fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the County Commission.

The Finance Officer may approve budget transfers within departments, excluding human resources. The County Commission must approve transfers between departments. During the year, the County Commission authorized amendments to include appropriations for some activities that were not originally budgeted and to reclassify certain functional expenditures.

All unexpended annual appropriations lapse at year-end.

2-B. Excess of Expenditures over Appropriations

The County did not have any expenditures in excess of appropriations.

2-C. Deficit Fund Equities

The Workers' Compensation internal service fund had a deficit net assets of \$422,007 as of June 30, 2007.

Note 3 – Detailed Notes on All Funds

3-A. Deposits and Investments

The custodial credit risk of deposits is the risk that in the event of a failure of a bank, the government will not be able to recover deposits. At June 30, 2007, the carrying amount of the County's deposits was \$95,553,795, and the bank balance was \$91,533,774. Of the bank balance, \$91,533,774 was covered by federal depository insurance or by collateral held by the County's agent or pledging financial institution.

The County has \$82,250,777 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 managed by the Office of Treasury and Fiscal Services. The pool is not registered with the SEC as an investment company. 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. The County has no investment policy that would further limit its investment choices. Investments are carried at fair value. Unrealized gain is recognized as income.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

As of June 30, 2007, the County had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)				Rating ⁽¹⁾
		Less Than 1	1-5	6-10	More Than 10	
General, Capital Projects & Debt Service						
Local Government Investment Pool	\$ 82,250,777	\$ 82,250,777	\$ -	\$ -	\$ -	AAAm
Internal Service						
U.S. Treasury	574,199	476,473	97,726	-	-	N/A
U.S. Government Agencies	727,891	324,328	403,563	-	-	N/A
	<u>\$ 83,552,867</u>	<u>\$ 83,051,578</u>	<u>\$ 501,289</u>	<u>\$ -</u>	<u>\$ -</u>	
Maximum Investment						

(1) - Standard & Poors

Investments per financial statements:

Investments	\$ -0-
Investments that are cash equivalents on financial statements	<u>83,552,867</u>
Investments above:	<u>\$ 83,552,867</u>

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. 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.

Credit risk. State statutes authorize the government to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC; the State of Georgia Local Government Investment Pool; repurchase agreements; bonds, debentures, notes or other evidence of indebtedness of any solvent corporation subject to certain conditions.

Concentration of credit risk. The County places no limit on the amount the County may invest in any one issuer. At June 30, 2007 all of the County's investments are in U.S. Treasury and Government agency funds and the Local Government Investment Pool. At June 30, 2007 the ratings of its investments are shown above.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The County's policies permit it to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. As of June 30, 2007, all deposits of the County were adequately insured or collateralized.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no policy on custodial credit risk.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

Water and sewerage Authority Discretely Presented Component Unit

The goal of the Authority in investing is to obtain a reasonable return on investments with a minimum exposure to potential loss of capital due to market fluctuations.

Interest rate risk. The Authority 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.

Credit Risk. State law allows investments in bonds, debentures, notes or other evidences of indebtedness of any solvent corporation subject to certain conditions. The Authority has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Authority places no limit on the amount it may invest in any one issuer.

Custodial credit risk – deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2007, the Water Authority had \$0 in cash or cash equivalents.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

3-B. Receivables

Receivables at June 30, 2007, consisted of taxes, interest, accounts (billings for user charges, including unbilled utility receivables), and intergovernmental receivables arising from grants. Receivables and payables are recorded on the County's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

The allowance for uncollectibles in the general fund was \$2,887,040.

3-C. Property Taxes

The Board of Commissioners levied property taxes on August 25, 2007. Property taxes attach as an enforceable lien on property as of January 1. Property taxes were billed on October 20, 2007 and were payable within sixty days or December 20, 2007.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

3-D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Restated Balance 7/1/2006	Additions	Deductions	Adjustments and Transfers	Balance 6/30/2007
Governmental activities					
Nondepreciable capital assets:					
Land	\$ 15,036,394	\$ 1,003,787	\$ (40,656)		\$ 15,999,525
Construction in progress	3,569,886	5,588,960	(89,000)	(4,689,746)	4,380,100
Historical artifacts	11,000	-	-	-	11,000
Total nondepreciable capital assets	<u>18,617,280</u>	<u>6,592,747</u>	<u>(129,656)</u>	<u>(4,689,746)</u>	<u>20,390,625</u>
Depreciable capital assets					
Buildings and improvements	48,026,022	37,670	(998,905)	-	47,064,787
Equipment, furniture and vehicles	16,443,257	2,242,126	(1,928,664)	408,886	17,165,605
Infrastructure	55,152,815	3,884,251	-	4,280,860	63,317,926
Total depreciable assets	<u>119,622,094</u>	<u>6,164,047</u>	<u>(2,927,569)</u>	<u>4,689,746</u>	<u>127,548,318</u>
Less accumulated depreciation					
Buildings and improvements	(9,045,442)	(1,251,127)	462,331	-	(9,834,238)
Equipment, furniture and vehicles	(12,934,177)	(1,119,678)	1,671,627	-	(12,382,228)
Infrastructure	(31,915,685)	(1,731,050)	-	-	(33,646,735)
Total accumulated depreciation	<u>(53,895,304)</u>	<u>(4,101,855)</u>	<u>2,133,958</u>	<u>-</u>	<u>(55,863,201)</u>
Total depreciable capital assets, net	<u>65,726,790</u>	<u>2,062,192</u>	<u>(793,611)</u>	<u>4,689,746</u>	<u>71,685,117</u>
Governmental activities capital assets, net	<u>\$ 84,344,070</u>	<u>\$ 8,654,939</u>	<u>\$ (923,267)</u>	<u>\$ -</u>	<u>\$ 92,075,742</u>

Governmental activities depreciation expense	
General Government	\$ 728,630
Court System	38,482
Public Health and Welfare	964
Public Safety	542,820
Public Works	2,408,680
Recreation and Culture	364,321
Housing and Development	17,958
Total governmental activities depreciation expense	<u>\$ 4,101,855</u>

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

	Balance 7/1/2006	Additions	Deductions	Balance 6/30/2007
Business-type activities:				
Nondepreciable capital assets:				
Land	\$ 372,370	\$ 118,050	\$ (20,250)	\$ 470,170
ROW and easements	-	106,047	-	106,047
Construction-in-progress	-	16,699,706	-	16,699,706
Total nondepreciable capital assets	<u>372,370</u>	<u>16,923,803</u>	<u>(20,250)</u>	<u>17,275,923</u>
Depreciable capital assets:				
Buildings and Improvements	302,615	576,558	(12,496)	866,677
Equipment, furniture and vehicles	1,639,173	226,192	(330,567)	1,534,798
Water system	-	32,849,533	(374,104)	32,475,429
Water system-contributed	-	20,615,058	-	20,615,058
Wells	-	47,225	-	47,225
System equipment	-	1,924,315	(49,279)	1,875,036
Total depreciable capital assets	<u>1,941,788</u>	<u>56,238,881</u>	<u>(766,446)</u>	<u>57,414,223</u>
Accumulated depreciation:				
Buildings and improvements	(123,502)	(281,691)	9,649	(395,544)
Equipment, furniture and vehicles	(1,174,550)	(214,665)	295,669	(1,093,546)
Water system	-	(6,104,076)	24,632	(6,079,444)
Water system-contributed	-	(2,393,378)	-	(2,393,378)
Wells	-	(17,153)	-	(17,153)
System equipment	-	(1,350,715)	46,173	(1,304,542)
Total accumulated depreciation	<u>(1,298,052)</u>	<u>(10,361,678)</u>	<u>376,123</u>	<u>(11,283,607)</u>
Total depreciable capital assets, net	<u>643,736</u>	<u>45,877,203</u>	<u>(390,323)</u>	<u>46,130,616</u>
Business-type activities capital assets, net	<u>\$ 1,016,106</u>	<u>\$ 62,801,006</u>	<u>\$ (410,573)</u>	<u>\$ 63,406,539</u>

Business-type activities depreciation expense

Emergency Medical Services	\$ 97,469
Water and Sewer	1,604,347
Solid Waste	48,764
Total business-type activities depreciation expense	<u>1,750,580</u>
Add:	
Depreciation transferred from Water Authority	8,611,100
Rounding	(2)
Total accumulated depreciation additions	<u>10,361,678</u>

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

3-E. Interfund Balances and Transfers

Interfund balances at June 30, 2007, consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The County expects to repay all interfund balances within one year.

Payable to:	Payable from:						Total
	General fund	2001 SPLOST	2007 SPLOST	Water & Sewer	EMS	Nonmajor governmental funds	
General fund	\$ -	\$ 141,856	\$ 510,112	\$ 223,261	\$ 212,938	\$ 128,119	\$ 1,216,286
SPLOST 2001	36,360	-	-	-	-	-	36,360
Nonmajor governmental	38,042	-	-	-	-	-	38,042
Total	\$ 74,402	\$ 141,856	\$ 510,112	\$ 223,261	\$ 212,938	\$ 128,119	\$ 1,290,688

Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following:

Transfer to:	Transfers from:				
	General fund	Solid Waste	2001 SPLOST	Non-major Governmental	Total
General fund	\$ -	\$ 1,680	\$ (15)	\$ 112,239	\$ 113,904
Debt service	1,789,970	-	-	-	1,789,970
EMS	925,246	-	-	-	925,246
Nonmajor governmental	549,606	-	-	(29,415)	520,191
Solid Waste	537,670	-	-	-	537,670
Total	\$ 3,802,492	\$ 1,680	\$ (15)	\$ 82,824	\$ 3,886,981

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

All County transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

3-F. Long-Term Debt

Capital Leases - The County has entered into a capital lease for a piece of equipment. This lease meets the criteria of a capital lease since it transfers benefits and risks of ownership to the lessee at the end of the lease term. Capital lease payments are reflected as debt service expenditures at the governmental fund reporting level. The lease is for a period of five years at an interest rate of 3%. The equipment acquired by the lease is included in capital assets.

Future minimum lease payments are as follows:

Year	Principal	Interest	Total
2008	\$ 25,289	\$ 63	\$ 25,352

Effective July 1, 2006, the County entered into a capital lease agreement to lease all of the operating assets and liabilities of the Walton County Water Authority (a component unit). Under the terms of this agreement, the County will operate the facilities and make annual payments to the Authority in amounts equal to the Authority's annual debt service requirements. Assets and liabilities were recorded in the Water and Sewer Fund at net book value which was estimated to be market value. The transaction resulted in a capital contribution from the Authority totaling \$33,081,596.

Future minimum lease payments are as follows:

Year	Principal	Interest	Total
2008	\$ 4,555,890	\$ 1,441,352	\$ 5,997,242
2009	1,180,980	1,392,868	2,573,848
2010	1,458,781	1,341,112	2,799,893
2011	1,517,122	1,279,100	2,796,222
2012	1,586,791	1,210,971	2,797,762
2013-2017	8,332,377	4,921,267	13,253,644
2018-2022	7,422,862	3,033,217	10,456,079
2023-2027	7,130,000	1,254,950	8,384,950
2028	1,435,000	64,575	1,499,575
	\$ 34,619,803	\$ 15,939,412	\$ 50,559,215

Contracts Payable - During 1998, the County agreed to share the costs of upgrading the capacity of the reservoir. The agreement provided for monthly principal payments varying from \$1,016 to \$3,032 through 2020. Interest is due monthly at a rate of 5.5%.

During 2005, the County agreed to share costs of necessary water line installations. The agreement provided for annual principal payments varying from \$5,171 to \$19,888 through 2020. Interest is due annually at a rate of 6.0%.

As discussed in Note 4-C, the County is contractually obligated to the purchase of the Four County Industrial Site. Temporary financing was issued until permanent financing could be obtained. The \$3,375,000 represents the County's 37.5% interest in the property and underlying debt. The permanent financing provided for annual principal payments varying from \$112,500 to \$262,500 through 2020 at a variable interest rate.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

The annual requirements to amortize the long-term debt as of June 30, 2007, using a rate of 5.20% is as follows:

Year	Principal	Interest	Total
2008	\$ 178,960	\$ 169,947	\$ 348,907
2009	180,649	160,232	340,881
2010	182,438	150,419	332,857
2011	184,330	140,501	324,831
2012	186,333	130,473	316,806
2013-2017	1,191,066	470,503	1,661,569
2018-2020	1,135,467	118,813	1,254,280
	<u>\$ 3,239,243</u>	<u>\$ 1,340,888</u>	<u>\$ 4,580,131</u>

General Obligation Bonds – During 2001, the County issued Series 2001 General Obligation Sales Tax Bonds in the amount of \$27,880,000. The bonds carried an interest rate ranging from 1.19% to 4.25% and will be repaid in principal installments of \$200,000 to \$3,750,000 beginning in June 2002. The bonds were to be repaid from the proceeds received from the imposition of a 1% sales and use tax. The proceeds of the issue were designated for certain road improvements, expansion of jail, construction of justice and administration building and construction of recreational facilities. The bonds were repaid during fiscal year 2007.

In 2007, the County issued \$58,915,000 Series 2007 General Obligation Sales Tax Bonds. The bonds carry interest rates ranging from 4.0% to 5.0% and will be repaid in principal installments beginning in January 2008. The bonds will be repaid from the proceeds received from the imposition of a 1% sales and use tax which began in January 2007. The proceeds of the issue were designated for certain road, bridge and culvert improvements, parks and recreation improvements, public safety upgrades and improvements, senior citizen center upgrades, water and sewer improvements and solid waste improvements.

The annual requirements to amortize the Series 2007 bonds payable is as follows:

Year	Principal	Interest	Total
2008	\$ 4,000,000	\$ 2,546,510	\$ 6,546,510
2009	8,000,000	2,660,750	10,660,750
2010	9,500,000	2,280,750	11,780,750
2011	11,250,000	1,825,750	13,075,750
2012	12,250,000	1,278,250	13,528,250
2013	13,915,000	680,750	14,595,750
	<u>\$ 58,915,000</u>	<u>\$ 11,272,760</u>	<u>\$ 70,187,760</u>

Installment Sale 2005 – During fiscal year 2006, the County entered into an installment sale agreement to refinance the Certificates of Participation issued through 2004. Payments are payable in annual installments of principal in the amount of \$253,000 through February 1, 2010. Interest is payable annually on February 1 at a rate of 3.30%.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

The annual requirements to amortize the installment sale as of June 30, 2007, were as follows:

Year	Principal	Interest	Total
2008	\$ 253,000	\$ 25,395	\$ 278,395
2009	253,000	16,930	269,930
2010	253,000	8,465	261,465
	\$ 759,000	\$ 50,790	\$ 809,790

Component Unit Long-term Debt – The Walton County Water and Sewer Authority has the following bond indentures outstanding as of June 30, 2007:

Series 1989 – First mortgage revenue bonds for acquisition of water system assets payable to the bondholders in the original amount of \$2,785,000 bearing interest at the rate of 7.5% to 8.25%. Interest is payable each February and August through 2015. Of the original amount, \$25,000 remains outstanding due to an advance refunding in 1996. The remaining principal will be paid in 2015.

Series 1996 – Revenue bonds for acquisition of water system assets payable to the bondholders in the original amount of \$8,070,000 bearing an interest rate of 4.4% to 6%. Principal is payable each February through 2021 with accrued interest. The proceeds from the issue were designated for a partial refund of the 1989 Series Bonds, provide funds for future construction, prepay existing GEFA debt and set up necessary reserve accounts.

The revenue bonds have a lien on the net revenues generated by the water system of the Authority, and the bond ordinances require that the rates for water shall be set at an amount sufficient to pay all of the operating costs of the system, and to provide the amounts necessary to pay the bond principal and interest due each year and provide a reserve fund which was fully funded at year end. The ordinance also requires the Authority to maintain rates to produce earnings at least 1.2 times the debt service requirements of its revenue bonds.

Series 2002 – Revenue bonds payable to the bondholders in the original amount of \$14,550,000 bearing an interest rate of 2.0% to 4.5%. Principal is payable each February and August through 2028 with accrued interest. The proceeds for the issue were designated for future construction of additions and extensions and improvement to the water related facilities.

The revenue bonds have a lien on the net revenues generated by the water system of the Authority, and the bond ordinances require that the rates for water shall be set at an amount sufficient to pay all of the operating costs of the system, and to provide the amounts necessary to pay the bond principal and interest due each year and provide a reserve fund which was fully funded at year end. The ordinance also requires the Authority to maintain rates to produce earnings at least 1.2 times the debt service requirements of its revenue bonds.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

The annual requirements to amortize the revenue bonds are as follows:

Series 1989

Year	Principal	Interest	Total
2008	\$ -	\$ 2,063	\$ 2,063
2009	-	2,063	2,063
2010	-	2,063	2,063
2011	-	2,063	2,063
2012	-	2,063	2,063
2013-2015	25,000	6,189	31,189
	<u>\$ 25,000</u>	<u>\$ 16,504</u>	<u>\$ 41,504</u>

Series 1996

Year	Principal	Interest	Total
2008	\$ 290,000	\$ 350,109	\$ 640,109
2009	305,000	334,449	639,449
2010	325,000	317,674	642,674
2011	340,000	299,474	639,474
2012	360,000	280,094	640,094
2013-2017	2,125,000	1,059,719	3,184,719
2018-2021	2,225,000	343,200	2,568,200
	<u>\$ 5,970,000</u>	<u>\$ 2,984,719</u>	<u>\$ 8,954,719</u>

Series 2002

Year	Principal	Interest	Total
2008	\$ 265,000	\$ 574,523	\$ 839,523
2009	275,000	567,566	842,566
2010	280,000	559,660	839,660
2011	290,000	550,910	840,910
2012	300,000	541,630	841,630
2013-2017	1,690,000	2,538,960	4,228,960
2018-2022	2,740,000	2,157,975	4,897,975
2023-2027	6,290,000	1,197,900	7,487,900
2028	1,435,000	64,575	1,499,575
	<u>\$ 13,565,000</u>	<u>\$ 8,753,699</u>	<u>\$ 22,318,699</u>

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

Notes Payable – Notes payable at June 30, 2007 consist of the following:

GEFA – A construction loan payable to the Georgia Environmental Facilities Authority. The total amount available under the loan is \$1,180,000. The loan is payable in quarterly installments over 20 years at 4.8%, including capitalized interest of \$30,076.

Newton County – The Authority has agreed to pay Newton County, Georgia for certain costs pertaining to the Cornish Creek reservoir and treatment plant in which the Authority has a 25% interest. The Authority has agree to pay 25% of the treatment plant and system upgrade costs of approximately \$1,887,070 and their increased share of the reservoir capacity costs of \$774,284.

The debt will be financed by Newton County over a period of twenty years at a interest rate of 5.5%. Debt repayment commenced in December of 2000 at \$18,307 per month.

During 2004, Newton County issued bonds to refinance the prior debt and to pay for certain capital improvements. The Authority's share of the debt issue was \$4,780,000. The debt is interest only for the first five years at approximately \$209,700 per year. Beginning in 2010, principal payments commence with a total debt service of approximately \$450,000 per year.

Wachovia Bank – On June 24, 2005, the Authority borrowed \$3,454,326, which was used to purchase approximately 422 acres of land related to the Hard Labor Creek reservoir. This loan, refinanced on June 23, 2006, bears an interest rate of 3.99%.

Citimortgage – On June 30, 2006, the Authority borrowed \$4,500,000 to fund the purchase and installation of radio read water meters. This loan is at 4.195%. The loan calls for monthly principal and interest payments over a period of 10 years.

Debt service requirements for notes payable are as follows:

GEFA

Year	Principal	Interest	Total
2008	\$ 67,082	\$ 28,283	\$ 95,365
2009	70,360	25,005	95,365
2010	73,799	21,566	95,365
2011	77,405	17,960	95,365
2012	81,188	14,177	95,365
2013-2015	244,314	17,941	262,255
	\$ 614,148	\$ 124,932	\$ 739,080

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

Newton County

Year	Principal	Interest	Total
2008	\$ 107,904	\$ 111,781	\$ 219,685
2009	113,991	105,694	219,685
2010	120,421	99,265	219,686
2011	127,213	92,472	219,685
2012	134,389	85,296	219,685
2013-2017	794,577	303,851	1,098,428
2018-2021	682,862	67,729	750,591
	<u>\$2,081,357</u>	<u>\$ 866,088</u>	<u>\$2,947,445</u>

Newton County (Cornish Creek Expansion)

Year	Principal	Interest	Total
2008	\$ -	\$ 208,703	\$ 208,703
2009	-	208,703	208,703
2010	240,000	208,703	448,703
2011	245,000	201,983	446,983
2012	255,000	192,183	447,183
2013-2017	1,425,000	816,124	2,241,124
2018-2022	1,775,000	464,313	2,239,313
2023-2024	840,000	57,050	897,050
	<u>\$4,780,000</u>	<u>\$2,357,762</u>	<u>\$7,137,762</u>

Citimortgage (Radio Meter Project)

Year	Principal	Interest	Total
2008	\$ 385,853	\$ 165,890	\$ 551,743
2009	402,354	149,388	551,742
2010	419,561	132,181	551,742
2011	437,504	114,238	551,742
2012	456,214	95,528	551,742
2013-2016	2,028,486	178,483	2,206,969
	<u>\$4,129,972</u>	<u>\$ 835,708</u>	<u>\$4,965,680</u>

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

Changes in Long-term Debt - Changes in the County's long-term obligations consisted of the following for the fiscal year ended June 30, 2007:

	Outstanding 7/1/2006	Additions	Reductions	Outstanding 6/30/2007	Amounts Due in One Year
Governmental Activities					
General obligation bonds - 2001	\$ 3,750,000	\$ -	\$ 3,750,000	\$ -	\$ -
Add deferred amounts					
Premium on bonds	35,149	-	35,149	-	-
General obligation bonds - 2007	-	58,915,000	-	58,915,000	4,000,000
Add deferred amounts					
Premium on bonds	-	2,367,366	197,280	2,170,086	394,561
Total general obligation bonds	3,785,149	61,282,366	3,982,429	61,085,086	4,394,561
Capital leases	505,888	-	480,599	25,289	25,289
Contracts payable	3,379,106	-	139,864	3,239,242	178,960
Installment sale	1,012,000	-	253,000	759,000	253,000
Claims payable	745,886	247,394	-	993,280	586,684
Compensated absences	980,569	140,904	-	1,121,473	823,162
Total Governmental Activities	\$ 10,408,598	\$ 61,670,664	\$ 8,838,321	\$ 128,308,456	\$ 6,261,656
Business-Type Activities					
Capital lease	\$ -	\$ 35,685,928	\$ 1,066,125	\$ 34,619,803	\$ 4,555,890
Compensated absences	110,968	116,143	-	227,111	151,829
Total Business-type activities	\$ 110,968	\$ 35,802,071	\$ 1,066,125	\$ 34,846,914	\$ 4,707,719
Component Units:					
<i>Development Authority of Walton Co.</i>					
Revenue bonds payable	\$ 650,000	\$ -	\$ 650,000	\$ -	\$ -
Notes payable	650,000	-	650,000	-	-
Total Development Authority	1,300,000	-	1,300,000	-	-
<i>Walton County Water and Sewer Authority</i>					
Revenue bonds - 1989	25,000	-	-	25,000	-
Revenue bonds - 1996	6,245,000	-	275,000	5,970,000	290,000
Revenue bonds - 2002	13,820,000	-	255,000	13,565,000	265,000
Less deferred amounts:					
Issuance discounts	(267,283)	-	(14,274)	(253,009)	(14,274)
Total revenue bonds	19,822,717	-	515,726	19,306,991	540,726
GEFA Notes	678,104	-	63,956	614,148	67,082
Newton County notes	2,183,499	-	102,142	2,081,357	107,904
Cornish Creek expansion	4,780,000	-	-	4,780,000	-
Water meter project note	4,500,000	-	370,028	4,129,972	385,853
Note payable	3,454,326	-	-	3,454,326	3,454,326
Total notes payable	15,595,929	-	536,126	15,059,803	4,015,165
Total Water Authority	35,418,646	-	1,051,852	34,366,794	4,555,891
Total Component Units	\$ 36,718,646	\$ -	\$ 2,351,852	\$ 34,366,794	\$ 4,555,891

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

The debt service fund is retiring the County's general obligation bonds from sales taxes revenues. The capital lease obligations will be paid from the general fund. The compensated absences liability will be paid from the fund from which the employees' salaries are paid, generally the general fund.

3-G. Post-employment Benefits

The County provides postretirement healthcare benefits to qualified retirees as discussed in Note 3-H.

3-H. Pensions

Defined Benefit Pension Plan

As of July 1, 1998, the County ended new participation in its Defined Benefit Pension Plan, except for certain elected officials. Existing plan participants who met certain restriction as to age and years of service, were permitted to either remain as active participants or freeze the present value of their accumulated future benefits in the Defined Benefit Plan, while all other plan participants had the present value of their future benefits, as of July 1, 1998, deposited in the County's 401(a) Money Purchase or Defined Contribution Plan.

The County participates in the Association of Government Commissioners of Georgia Pension Plan (ACCG Plan), an agent multiple-employer defined benefit pension plan, which covers all employees. The County Board of County Commissioners authorizes amendments, participation in the pension plan, establishes the pension benefits and sets the contribution rates. All full-time employees and part-time employees who work at least 20 hours per week for five months are eligible to participate in the ACCG Plan ("Plan") after completing two years of service. The employee is vested 50% after completing four years of service.

Participants become eligible to retire at age 65. Benefits vest after four years of service. Upon eligibility to retire, participants are entitled to a lifetime annual pension, with a 10 year guarantee equal to 1.0% of their compensation for each year of service plus .75% of that portion of compensation exceeding \$10,000 for each year of service. Compensation is averaged over a five year period prior to retirement or termination.

The .75% above is reduced to .70% if year of birth is after 1937 and before 1955. Also, the .75% is reduced to .65% for employees born after 1954. Last, years of service are limited for this part of the benefit formula. In addition, the plan provides that no participant will receive less than what he had accrued under the Plan as of June 30, 1987. The Plan also provides benefits in the event of death. The employee is vested 50% after completing four years of service and 100% after five years of service.

A copy of the plan's financial report may be obtained from:

Government Employee Benefits Corporation of Georgia
1100 Circle 74 Parkway, Suite 300
Atlanta, Georgia 30339

County employees are not required to contribute to the Plan. The County contributes the cost of the Plan using the actuarial basis described in the annual valuation report. The cost administering the plan is funded with earnings from investments.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

The following information was determined as part of the actuarial valuation as of January 1, 2007. Additional information as of the latest actuarial valuation is as follows:

Valuation date	January 1, 2007
Actuarial Cost method	Projected Unit Credit
Asset Valuation method	Market Value
Amortization method	Level Percent of Pay(Closed)
Remaining amortization period	7 years
(This represents the estimated amortization period for all unfunded liabilities combined into one amortization base.)	
Actuarial Assumptions:	
Assumed rate of return on assets	8% per annum
Expected future salary increases	5.0% per annum
Cost of living adjustments	2.5% per annum
Inflation rate	3.00%

The County's annual pension cost and net pension obligation for the pension plan for the current year were determined as follows:

Annual Pension Cost and Net Pension Obligation:

Annual required contribution	\$ 742,286
Interest on net pension obligation	(17,850)
Amortization of net pension obligation	18,833
Annual pension cost	<u>743,269</u>
Contributions made	<u>(820,055)</u>
Increase in net pension obligation	(76,786)
Net pension obligation January 1, 2006	(223,122)
Net pension obligation January 1, 2007	<u><u>\$ (299,908)</u></u>

Historical trend information is presented below:

Fiscal Year Beginning	Annual Pension Cost (APC)	County Contribution	Percentage of APC Contributed	Net Pension Obligation
January 1, 2006	\$ 743,269	\$ 820,055	110%	\$ (299,908)
January 1, 2005	719,019	811,514	113%	(223,122)
January 1, 2004	679,309	793,687	117%	(130,627)
January 1, 2003	155,729	155,657	100%	(16,249)
January 1, 2002	137,755	137,155	100%	(16,321)

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

Defined Contribution Pension Plan

The Walton County Money Purchase 401(a) Plan is a defined contribution plan established by the county and administered by CBIZ Benefits and Insurance in Maryland, with statements provided by GEBCorp. The Plan was established to provide benefits at retirement to Walton County employees. The County is required to contribute 2.0% of total covered payroll, and an additional 2.0% if an employee also contributes at least 2.0% to the 457(b) Deferred Compensation Plan. Employees are also required to contribute 2.0% to the plan.

Employees are eligible to join the plan after one year of full time service. Participants are then fully in the County's contributions after five years of service. They are fully vested immediately in their contributions to the plan. Total contributions for the fiscal year ended June 30, 2007 were \$434,007. The majority of original contributions consisted of member rollovers from the defined benefit pension plan, which was frozen on July 1, 1998. Plan provisions and contribution requirements are established and may be amended by the Board of Commissioners.

Other Plans

In addition to the above pension plans, the following pension plans cover County employees but the County is not legally responsible for contributions to the pension plans. Other governmental entities are legally responsible for these contributions as well as required disclosures:

- (A) PROBATE JUDGES' RETIREMENT FUND OF GEORGIA:
The Probate Judge is covered under a pension plan, which requires that certain sums from marriage licenses and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.
- (B) SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA:
The Clerk of Superior Court is covered under a pension plan, which requires that certain sums from fees and fines or bond forfeitures be remitted to the pension plan before the payment of any costs or other claims.
- (C) SHERIFF'S RETIREMENT FUND/PEACE OFFICER'S ANNUITY AND BENEFIT FUND:
The Sheriff and Sheriff Deputies are covered under separate pension plans which require that certain sums from fines or bond forfeitures be remitted by the Probate Judge or Clerk of Superior Court to the pension plans before the payment of any costs or other claims.
- (D) TEACHERS RETIREMENT SYSTEM OF GEORGIA:
The Walton County Agricultural Extension Service's eligible employees participate in the Teachers Retirement System of Georgia (TRS). At present, a contribution to their pension fund in the amount of \$7,815 is made by the General Fund.

Other Postemployment Benefits

In addition to the pension benefits described above, the County provides postretirement healthcare benefits, in accordance with County statutes, to all employees who retire from the County after 20 years of service and are between 62 and 65 years of age. Currently, one retiree meets those eligibility requirements. Healthcare benefits for retirees and active employees are provided through the County's self-insurance program. Expenditures for postretirement healthcare benefits are recognized as retirees report claims and include a provision for estimated claims incurred but not

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (CONTINUED)

yet reported to the County. During the year, expenditures of \$2,633 were recognized for postretirement healthcare. These post employment benefits are financed on a pay-as-you-go basis and are not included as part of the County defined benefit pension plan.

3-I. Net Assets

Net assets on the Government-wide statement of net assets as of June 30, 2007 are as follows:

	Governmental Activities	Business Type Activities
Investments in capital assets, net of related debt:		
Cost of capital assets	\$ 147,938,943	\$ 74,690,146
Less accumulated depreciation	(55,863,201)	(11,283,607)
Book value	92,075,742	63,406,539
Less capital related debt	(2,799,764)	(34,619,802)
Investments in capital assets, net of related debt	<u>\$ 89,275,978</u>	<u>\$ 28,786,737</u>

Note 4 – Other Notes

4-A. Risk Management

Health Insurance

Effective July 1, 1991, the County established a self-funded trust for the administration and funding of the County's Health Care and Employee Benefits and Self-funded Medical expense reimbursement internal service fund. This trust shall be the source of funding for claims or expense reimbursement of employees from losses due to death, disability, dental or medical expenses and other expenses relating to maintenance of the fund by the appointed trustee.

Changes in the balances for the health care plan of claim liabilities during the past two years are as follows:

	2007	2006
Unpaid claims, beginning of year	\$ 295,886	\$ 333,437
Incurred claims	4,708,677	3,354,417
Claim payments	(4,581,283)	(3,391,968)
Unpaid claims, end of year	<u>\$ 423,280</u>	<u>\$ 295,886</u>

Workers' Compensation

Effective January 1, 1997, the County established a limited risk management self-funded trust for the administration and funding of the County's Workers' Compensation Plan. The County's plan is part of the Association County Commissioners of Georgia (ACCG) Group Self Insurance Workers' Compensation Fund (GSIWCF), a self-insured pool cooperative arrangement among its members to finance workers' compensation coverage. The fund is owned by its members and is managed by a seven member Board of Trustees who are representatives from participating counties. The ACCG-GSIWCF operates under the authority of O.C.G.A. 34-9-150 et. seq. and the Georgia Insurance Commissioner's Office. The members of ACCG-Group Self Insurance Workers' Compensation Fund are assessable if the losses that ACCG must pay exceed the assets of the pool. At June 30, 2006, there was no need for such an assessment. Therefore, no liability has been recorded in these financial statements.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

The County trust shall be the source of funding for claims or expenses to reimburse employees for losses incurred from work related injury and other expenses relating to maintenance of the internal service fund by the appointed trustee.

Changes in the balances for the workers' compensation plan of claim liabilities during the past two years are as follows:

	2007	2006
Unpaid claims, beginning of year	\$ 450,000	\$ 240,000
Incurred claims	506,320	347,683
Claim payments	(386,320)	(137,683)
Unpaid claims, end of year	<u>\$ 570,000</u>	<u>\$ 450,000</u>

In both of the aforementioned plans, expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be a reasonable estimate. The County is responsible for determining the contributions to the trusts, which is stabled with an independent fiduciary (trustee) that will hold and manage these contributions. The County may contract with insurance carriers and others to provide the aforementioned benefits, and the trustee is authorized to make disbursement for such claims.

The County is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The following is a summary of insurance coverage at June 30, 2007.

Buildings and Personal Property	\$47,718,998	aggregate
Equipment	3,443,285	per occurrence
General Liability	3,000,000	per occurrence
Management Liability	1,000,000	per occurrence
Law Enforcement Liability	1,000,000	per occurrence
Crime Coverage	250,000	per occurrence
Automobile Liability	1,000,000	per occurrence

The County has no outstanding claims in excess of coverage for which a liability should be recorded as of June 30, 2007.

Settled claims in the past three years have not exceeded the coverage.

4-B. Contingent Liabilities

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the County believes such disallowances, if any, will be immaterial.

The County was a defendant in several lawsuits at June 30, 2007. In the opinion of County management, the outcome of these contingencies will not have a material effect on the financial position of the County.

WALTON COUNTY, GEORGIA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(CONTINUED)

4-C. Joint Ventures

Northeast Georgia Regional Development Center

Under Georgia law, the County, in conjunction with other cities and counties in the fourteen county east central Georgia area, is a member of the Northeast Georgia Regional Development Center (RDC) and is required to pay annual dues thereto. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Membership dues totaled \$61,376 for the fiscal year. Separate financial statements of the NEGRDC may be obtained from:

Northeast Georgia Regional Development Center
305 Research Drive
Athens, GA 30605-2795

Four County Industrial Development Authority

During 1998, the Four County Industrial Development Authority, a joint venture, was formed for the purpose of purchasing and developing an industrial site. The land was purchased through the Walton County Development Authority with temporary financing from Walton County, until such time as the Joint Authority could issue permanent bond financing for the project. The Joint Authority issued \$9,000,000 in bonded debt in October 2000 for the repayment of the Walton County Development Authority, pay issuance costs of the bond, and to provide initial development costs. The stated percentages of ownership and debt assumption are as follows: Newton County 37.5%, Walton County 37.5%, Morgan County 15%, and Jasper County 10%. The debt will amortize from 2001 and continue through 2020. The County recorded the land investment and resultant long-term debt on its books in the 2000-2001 fiscal years. This is accounted for under the equity interest method and the asset recorded is valued at \$1,841,406.

Separate financial statements of the Four County Industrial Development Authority can be obtained directly from: Four County Industrial Development Authority, C/O Madison Chamber of Commerce, 115 East Jefferson Street, Madison, Georgia 30650.

4-D. Conduit Debt Obligations

From time to time, the Development Authority of Walton County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying leases. Upon repayment on the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the County, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2007, the amount of Industrial Revenue Bonds issued on behalf of private-sector entities outstanding was \$51,250,000.

WALTON COUNTY, GEORGIA
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2007
 (CONTINUED)

4-E. Intergovernmental Agreement

On May 31, 2007, the County executed an intergovernmental agreement with Oconee County, Georgia for the construction and operation of the Hard Labor Creek Reservoir project. Under terms of the agreement Walton County will have a 71.2% share of the project leaving 28.8% share to Oconee County. The total estimated amount of the project is \$353 million with costs being split based on ownership percentages. The project is to be completed in three phases. Walton County will issue general obligation bonds to fund its portion of the project. The agreement runs through May 2057.

4-F. Prior Period Adjustments

During 2007, the County recorded a prior period adjustment to correct the value of infrastructure reported under the implementation of GASB 34 "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments". The effect of this adjustment is as follows:

Government Wide reporting:

	Governmental Activities
Net Assets, June 30, 2006, as previously stated	\$ 101,786,006
Prior period adjustment	(1,668,894)
Net Assets, June 30, 2006, restated	\$ 100,117,112

During 2007, the Development Authority of Walton County recorded a prior period adjustment to correct the accounting for a land sale which occurred in fiscal year 2006. The effect of this adjustment is as follows:

Component Unit:

<i>Development Authority of Walton County</i>	
Net Assets, June 30, 2006, as previously stated	\$ 3,309,219
Prior period adjustment	(1,189,300)
Net Assets, June 30, 2006, restated	\$ 2,119,919

4-G. Commitments

On November 6, 2007, the County approved a loan guarantee of \$700,000 for the Development Authority of Walton County for improvements within the Piedmont Industrial Park.