

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of WALTON COUNTY, GEORGIA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(A) REPORTING ENTITY

The government is a political subdivision of the State of Georgia governed by an elected seven-member commission. Each commissioner is elected to a four-year term. The Chairman serves as the full-time Chief Executive Officer and the other six commissioners serve on a part-time basis. The Chairman is responsible for the daily operations of the County. In addition, there are six Constitutional Officers; the Tax Commissioner, Probate Court Judge, Sheriff, Juvenile Court Judge, Magistrate Court Judge, and Clerk of Superior Court. The Constitutional Officers are elected county wide. The Board of County Commissioners budgets and approves all funding used by the separate Constitutional Officers. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a June 30 year-end.

Brief descriptions of discretely presented component units follow:

WALTON COUNTY DEVELOPMENT AUTHORITY (development authority): The County appoints all members of the development authority's board of directors. Additionally, the County is financially liable for the mortgage indebtedness of the authority in the case of default by the authority. The development authority does not issue separate component unit financial statements. During 2006, the County transferred \$937,663 to the development authority.

WALTON COUNTY HEALTH DEPARTMENT (health department): The health department was created by state legislative act in 1964 to provide various health related programs such as immunization, family planning, and nutrition services. It operates under an Executive Officer and a seven member board comprised of the following: the Chairman of the Board of Commissioners, the Walton County School Superintendent, and the Mayor of the City of Monroe, three at-large members appointed by the County, and one at-large member appointed by the City of Monroe. During 2006, the County transferred \$222,930 to the Health Department.

WALTON COUNTY COMMISSION ON CHILDREN AND YOUTH (commission): The commission provides counseling and care services for children and youth around the county. This legally created authority is funded by donations and grants from various sources. The commission does not issue separate component unit financial statements. During 2006, the County transferred \$50,000 to the commission.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

WALTON COUNTY WATER & SEWERAGE AUTHORITY (authority): The authority was established 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 ratifies decisions of the authority.

Complete financial statements of the component units may be obtained from their administrative offices at the following locations:

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

Walton County Water & Sewerage Authority
P.O. Box 8080
Loganville, Georgia 30052

(B) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

(C) MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The government-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property taxes, fines, and other revenues susceptible to accrual within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, franchise taxes, fines, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and lease principal and interest when the government is obligated in some manner for the payment.

The *SPLOST Capital Projects Fund* accounts for funds received from the local 1% sales tax reserved for construction of various capital projects.

The government reports the following major enterprise funds:

The *Emergency Medical Services Fund* accounts for the operation and maintenance of the County's Emergency Medical Services (ambulance service) for the county.

The *Solid Waste Fund* accounts for the activities of the County's landfill, disposal sites and recycling center.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the government reports the following fund types:

Internal Service 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 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. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used are not eliminated in the process of consolidation. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) ASSETS, LIABILITIES AND EQUITY

1. *Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. General Fund cash balances in excess of amounts required for the County's daily operating activities were invested in the State of Georgia Local Government Investment Pool during the fiscal year.

Investments are recorded at fair value based on quoted market prices as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of interest income.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

The 2005 property taxes were levied approximately September 15, 2005 and were due 60 days after issuance. Interest and penalties may be assessed on taxes not paid by this date. The taxes are subject to a lien after February 15, 2006.

3. *Inventories and Prepaid Items*

Inventories, consisting of expendable supplies, not held for resale are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

WALTON COUNTY, GEORGIA
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. All land and improvements, and all works of art/historical treasures are capitalized. Buildings, building improvements and improvements other than buildings are with a cost that equals or exceeds \$20,000 and are recorded as capital assets. All other personal property with initial, individual costs that equal or exceed \$2,500 and an estimated useful life of two years is recorded as capital assets. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Infrastructure	15-50
Heavy machinery	7-12
Vehicles	5
Furniture and fixtures	10
Equipment	10
Computer equipment	5

5. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, "Accounting for Compensated Absences," no liability is reported for unpaid accumulated sick leave because the benefits are paid only upon the illness of an employee, and the amount of such payments cannot be reasonably estimated. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Employees may accrue up to 320 hours of annual leave. Upon separation the employee will be paid for accumulated and unused annual leave. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. *Long-term Obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets or proprietary fund type statement of net assets.

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Management estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

(A) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

All agencies of the government submit requests for appropriation to the Finance Officer so that a budget may be prepared. The budget is prepared by fund, function and activity and line item and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the Board of Commissioners for review. The Board of Commissioners holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the Finance Officer or the revenue estimates must be changed by an affirmative vote of a majority of the government's Board of Commissioners.

The Finance Officer may amend the line item budget within a department's appropriation. However, expenditures may not legally exceed budgeted appropriations at the department level. The legal level of budgetary control is at the department level with individual funds.

WALTON COUNTY, GEORGIA
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NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

During the year the Commissioners authorized amendments to include appropriations for some activities that were not originally budgeted and to reclassify certain character and functional expenditures.

Annual appropriated budgets are adopted for the general fund, debt service fund, and all special revenue funds. Project-length budgets are adopted for all capital projects funds. All annual appropriations lapse at fiscal year end.

(B) Deficit Fund Balance

At June 30, 2006, the Workers Compensation Internal Service Fund had a fund balance deficit of \$221,625, which resulted from the accrual of unpaid claims at June 30, 2006. This deficit will be eliminated in future years as charges to the departments are increased for workers compensation costs.

NOTE 3 - RISKS OF CASH DEPOSITS AND INVESTMENTS

Primary Government

The County has \$15,727,415 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.

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NOTE 3 - RISKS OF CASH DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2006, 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 and Capital Project Funds						
Local Government Investment Pool	\$ 15,727,415	\$ 15,727,415	\$ -	\$ -	\$ -	AAAm
Internal Service Funds						
U.S. Treasury	1,166,444	482,042	684,402	-	-	N/A
U.S. Government Agencies	682,142	-	682,142	-	-	N/A
	<u>\$ 17,576,001</u>	<u>\$ 16,209,457</u>	<u>\$ 1,366,544</u>	<u>\$ -</u>	<u>\$ -</u>	
Maximum Investment		92%	8%			

⁽¹⁾ Standard & Poors

Investments per financial statements:

Investments	\$ 1,565,997
Investments that are cash equivalents on financial statements	<u>16,010,004</u>
Investments above:	<u><u>\$ 17,576,001</u></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, 2006 all of the County's investments are in U.S. Treasury and Government agency funds and the Local Government Investment pool. At June 30, 2006 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, 2006, all deposits of the County were adequately insured or collateralized.

WALTON COUNTY, GEORGIA
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NOTE 3 - RISKS OF CASH DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2006, the Water Authority had \$14,771,862 in cash or cash equivalents. This includes \$1,909,656 of certificates of deposit which are deposits for custodial credit risk but are displayed as investments in the financial statements since they have an original maturity in excess of three months. The total cash amount includes \$4,400,000 which was uncollateralized due to a timing difference between the date loan proceeds were received and the day the proceeds were invested in marketable securities. The proceeds were deposited in an escrow account on June 30, 2006, and invested on July 5, 2006.

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.

WALTON COUNTY, GEORGIA
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NOTE 4 – RECEIVABLES

Receivables as of year end for the County’s individual major funds, nonmajor governmental funds in the aggregate, and enterprise fund including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	SPLOST	Nonmajor Governmental Funds	Enterprise Funds EMS	Enterprise Funds Solid Waste	Internal Service Funds Health Benefits
Receivables:						
Property Taxes	\$ 544,762	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	4,403,020	-	167,104	610,906	26,567	174,409
Intergovernmental	1,237,899	1,740,519	253,869	-	-	-
Total Gross Receivables	<u>6,185,681</u>	<u>1,740,519</u>	<u>420,973</u>	<u>610,906</u>	<u>26,567</u>	<u>174,409</u>
Less: Allowance for Uncollectibles	(3,538,672)	-	(49,389)	(288,970)	(3,868)	-
Total Net Receivables	<u>\$ 2,647,009</u>	<u>\$ 1,740,519</u>	<u>\$ 371,584</u>	<u>\$ 321,936</u>	<u>\$ 22,699</u>	<u>\$ 174,409</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable (General Fund)	\$ 342,617	\$ -	\$ 342,617
Probation fines (General Fund)	737,636	-	737,636
Probation fines (Juvenile Fund)	8,952	-	8,952
Total deferred revenue governmental funds	<u>\$ 1,089,205</u>	<u>\$ -</u>	<u>\$ 1,089,205</u>

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NOTE 4 – RECEIVABLES (CONTINUED)

Property taxes receivable at June 30, 2006, consist of the following:

<u>Digest Year</u>	<u>General Fund</u>
2006 ⁽¹⁾	\$ 25,528
2005	279,968
2004	55,213
2003	45,865
2002	23,269
2001	18,377
2000	19,189
1999	11,627
1998	16,399
1997	15,657
1996	13,274
1995	3,221
1994	7,882
1993	1,118
1992	8,174
	<u>\$ 544,762</u>

(1) 2006 only consists of taxes due on mobile homes. Taxes on real and personal property are not levied until after fiscal year end. Therefore, they are not included.

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NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments and Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 22,988,553	\$ 1,020,000	\$ (108,320)	\$ -	\$ 23,900,233
Land improvements	-	-	-	-	-
Construction in progress	1,015,262	2,554,624	-	-	3,569,886
Historical artifacts	11,000	-	-	-	11,000
Total non-depreciable capital assets	<u>24,014,815</u>	<u>3,574,624</u>	<u>(108,320)</u>	<u>-</u>	<u>27,481,119</u>
Depreciable Assets:					
Buildings and improvements	47,524,586	5,298	(22,680)	-	47,507,204
Equipment, furniture and vehicles	15,163,216	1,299,807	(19,750)	-	16,443,273
Infrastructure	104,466,912	2,168,009	-	-	106,634,921
Total depreciable capital assets	<u>167,154,715</u>	<u>3,473,114</u>	<u>(42,430)</u>	<u>-</u>	<u>170,585,399</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(7,771,486)	(1,288,320)	14,364	-	(9,045,442)
Equipment, furniture and vehicles	(11,778,541)	(1,163,666)	9,875	-	(12,932,332)
Infrastructure	(87,823,942)	(2,100,897)	-	-	(89,924,839)
Total accumulated depreciation	<u>(107,373,969)</u>	<u>(4,552,883)</u>	<u>24,239</u>	<u>-</u>	<u>(111,902,613)</u>
Total depreciable capital assets, net	<u>59,780,745</u>	<u>(1,079,769)</u>	<u>(18,191)</u>	<u>-</u>	<u>58,682,785</u>
Governmental activities capital assets, net	<u>\$ 83,795,560</u>	<u>\$ 2,494,855</u>	<u>\$ (126,511)</u>	<u>\$ -</u>	<u>\$ 86,163,904</u>

Additions to capital assets for the year are as follows:

Capital Outlay, page 5	\$ 3,842,555
Donated assets	3,205,183
	<u>\$ 7,047,738</u>
Non-depreciable capital assets	3,574,624
Depreciable capital assets	3,473,114
	<u>\$ 7,047,738</u>

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NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments and Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Non-Depreciable Assets:					
Land	\$ 372,370	-	-	-	\$ 372,370
Total non-depreciable capital assets	<u>372,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,370</u>
Depreciable Assets:					
Buildings and improvements	302,615	-	-	-	302,615
Equipment, furniture and vehicles	1,513,099	126,074	-	-	1,639,173
Total depreciable capital assets	<u>1,815,714</u>	<u>126,074</u>	<u>-</u>	<u>-</u>	<u>1,941,788</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(113,692)	(9,810)	-	-	(123,502)
Equipment, furniture and vehicles	(1,045,289)	(129,262)	-	-	(1,174,551)
Total accumulated depreciation	<u>(1,158,981)</u>	<u>(139,071)</u>	<u>-</u>	<u>-</u>	<u>(1,298,052)</u>
Business-type activities capital assets, net	<u>\$ 1,029,103</u>	<u>\$ (12,997)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,016,106</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 779,150
Court System	44,733
Public Health and Welfare	1,021,904
Public Safety	2,372,247
Public Works	1,879
Recreation and Culture	316,009
Housing and Development	16,961
Total depreciation expense - Governmental Activities	<u>\$ 4,552,883</u>

Business-type activities:

EMS	\$ 84,355
Solid Waste	54,716
Total depreciation expense - Business-type Activities	<u>\$ 139,071</u>

WALTON COUNTY, GEORGIA
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NOTE 5 - CAPITAL ASSETS (CONTINUED)

Development Authority Discretely Presented Component Unit

Activity for the Development Authority for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Depreciable Assets:				
Equipment, furniture and vehicles	\$ 45,966	\$ 944	\$ (6,641)	\$ 40,269
Total depreciable capital assets	<u>45,966</u>	<u>944</u>	<u>(6,641)</u>	<u>40,269</u>
Less Accumulated Depreciation for:				
Equipment, furniture and vehicles	(31,881)	(6,914)	6,564	(32,231)
Total accumulated depreciation	<u>(31,881)</u>	<u>(6,914)</u>	<u>6,564</u>	<u>(32,231)</u>
Business-type activities capital assets, net	<u>\$ 14,085</u>	<u>\$ (5,970)</u>	<u>\$ (77)</u>	<u>\$ 8,038</u>

Land of \$3,237,608 shown on the June 30, 2005 financial statements has been reclassified to land held for resale since this asset is held for sale to further economic development purposes rather than being held for the authority's own use.

Water & Sewerage Authority Discretely Presented Component Unit

Activity for the Water & Sewerage Authority for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Non-depreciable assets:					
Land	\$ 118,050	\$ -	\$ -	\$ -	118,050
Land-Row & Easements	48,934	-	-	53,296.00	102,230
Construction in progress	11,665,273	4,807,338	(97,044)	(707,717.00)	15,667,850
Total non-depreciable capital assets	<u>11,832,257</u>	<u>4,807,338</u>	<u>(97,044)</u>	<u>(654,421)</u>	<u>15,888,130</u>
Depreciable assets:					
Water System	26,156,600	202,504	-	654,421	27,013,525
Water System-Contributed	14,763,271	3,034,661	-	-	17,797,932
Wells	47,225	-	-	-	47,225
System Equipment	1,462,492	5,000	-	-	1,467,492
Construction-New Office	553,802	22,756	-	-	576,558
Office Equipment	84,486	25,574	-	-	110,060
Total depreciable capital assets	<u>43,067,876</u>	<u>3,290,495</u>	<u>-</u>	<u>654,421</u>	<u>47,012,792</u>
Less accumulated depreciation for:					
Water System	(4,471,863)	(645,252)	-	-	(5,117,115)
Water System-Contributed	(1,612,069)	(349,411)	-	-	(1,961,480)
Wells	(15,054)	(1,049)	-	-	(16,103)
System Equipment	(1,051,184)	(153,460)	-	(2,736)	(1,207,380)
Construction-New Office	(214,723)	(27,983)	-	-	(242,706)
Office Equipment	(53,657)	(12,659)	-	-	(66,316)
Total accumulated depreciation	<u>(7,418,550)</u>	<u>(1,189,814)</u>	<u>-</u>	<u>(2,736)</u>	<u>(8,611,100)</u>
Total depreciable capital assets, net	35,649,326	2,100,681	-	651,685	38,401,692
Business-type capital assets, net	<u>\$ 47,481,583</u>	<u>\$ 6,908,019</u>	<u>\$ (97,044)</u>	<u>\$ (2,736)</u>	<u>\$ 54,289,822</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Health Department Discretely Presented Component Unit

Activity for the Health Department for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Depreciable Assets:				
Office and medical equipment	\$ 175,795	\$ 3,123	\$ -	\$ 178,918
Total depreciable capital assets	<u>175,795</u>	<u>3,123</u>	<u>-</u>	<u>178,918</u>
Less Accumulated Depreciation for:				
Office and medical equipment	(145,824)	(13,251)	-	(159,075)
Total accumulated depreciation	<u>(145,824)</u>	<u>(13,251)</u>	<u>-</u>	<u>(159,075)</u>
Governmental activities capital assets, net	<u>\$ 29,971</u>	<u>\$ (10,128)</u>	<u>\$ -</u>	<u>\$ 19,843</u>

NOTE 6 - LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:							
General obligation bonds	\$ 10,750,000	\$ -	\$ -	\$ (7,000,000)	\$ 3,750,000	\$ 3,750,000	\$ -
Premium on general obligation bonds	119,506	-	-	(84,357)	35,149	35,149	-
Subtotal General Obligation Bonds	<u>10,869,506</u>	<u>-</u>	<u>-</u>	<u>(7,084,357)</u>	<u>3,785,149</u>	<u>3,785,149</u>	<u>-</u>
Capital leases	971,471	(1,213)	-	(464,370)	505,888	480,525	25,363
Contracts payable	3,517,461	-	-	(138,355)	3,379,106	139,865	3,239,241
COPS	1,215,000	-	-	(1,215,000)	-	-	-
Installment sale 2005	-	-	1,265,000	(253,000)	1,012,000	253,000	759,000
Compensated absences	860,769	-	658,337	(538,537)	980,569	588,341	392,228
Governmental activities long-term liabilities	<u>\$ 17,434,207</u>	<u>\$ (1,213)</u>	<u>\$ 1,923,337</u>	<u>\$ (9,693,619)</u>	<u>\$ 9,662,712</u>	<u>\$ 5,246,880</u>	<u>\$ 4,415,832</u>

Typically the general fund has been used to liquidate compensated absences.

Capital Leases

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$ 1,428,491
Less: Accumulated depreciation	(1,038,333)
Total	<u>\$ 390,159</u>

The County has various lease-purchase agreements in the General Fund to finance the acquisition of machinery, equipment and vehicles. The leases are for periods of two to five years at interest rates ranging from 5.17% to 5.87%.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2007	492,221
2008	50,642
Total minimum lease payments	<u>542,863</u>
Less: amount representing interest (3.79% - 5.82%)	<u>(36,976)</u>
Present value of minimum lease payments	<u><u>\$ 505,888</u></u>

Contracts Payable

During 1998, the County agreed to share 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 - \$19,888 through 2020. Interest is due annually at a rate of 6.0%.

As discussed in note 12, 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 amount 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.

The annual requirements to amortize the long-term debt as of June 30, 2006, using the rate of 5.36% in effect at that date were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 139,864	\$ 180,012	\$ 319,876
2008	178,960	171,548	350,508
2009	180,649	161,818	342,467
2010	182,438	151,990	334,428
2011	184,330	142,057	326,387
2012-2016	1,104,150	541,777	1,645,927
2017-2021	1,408,715	197,898	1,606,613
Total	<u><u>\$ 3,379,106</u></u>	<u><u>\$ 1,547,100</u></u>	<u><u>\$ 4,926,206</u></u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

General Obligation Bonds

During fiscal year 2001, the County issued Series 2001 General Obligation Sales Tax Bonds in the amount of \$27,880,000. The bonds bear interest at rates 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 will be repaid from the proceeds received from the imposition of a 1% sales and use tax. The proceeds of the issue are designated for certain road improvements, expansion of jail, construction of justice and administration building and construction of recreation facilities.

The annual requirements to amortize the bonds payable as of June 30, 2006, were as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,750,000	\$ 79,688	\$ 3,829,688

Installment Sale 2005

During fiscal year 2006, the County entered into an installment sale agreement to refinance the Certificates of Participation issued in 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%.

The annual requirements to amortize the installment sale as of June 30, 2006, were as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 253,000	\$ 33,860	\$ 286,860
2008	253,000	25,395	278,395
2009	253,000	16,930	269,930
2010	253,000	8,465	261,465
Total	<u>\$ 1,012,000</u>	<u>\$ 84,650</u>	<u>\$ 1,096,650</u>

Authorized but Unissued Debt

On July 11, 2006 the County authorized but has not issued \$58,915,000 of SPLOST anticipation bonds.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Development Authority Discretely Presented Component Unit

Long-term liability activity for the Development Authority for the year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Bond payable	\$ 1,300,000	\$ -	\$ (650,000)	\$ 650,000	\$ 650,000	\$ -
Notes payable 2006	-	650,000	-	650,000	-	650,000
	<u>\$ 1,300,000</u>	<u>\$ 650,000</u>	<u>\$ (650,000)</u>	<u>\$ 1,300,000</u>	<u>\$ 650,000</u>	<u>\$ 650,000</u>

During 2000, the Development Authority of Walton County issued Series 2000 Revenue Bonds for the purpose of providing funds to be applied toward financing the cost of the acquisition of land for an industrial park. The bonds are payable in semi-annual installments of principal of \$325,000, beginning in August 2003 through February 2007. Interest is due semi-annually at 7.61%, beginning in August 2000.

The annual requirements to amortize bonds payable as of June 30, 2006 are as follows:

<u>Year Ending June 30, 2007</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$ 650,000</u>	<u>\$ 37,511</u>	<u>\$ 687,511</u>

During 2006, the Development Authority of Walton County entered into loan agreement with a bank. The principal is due in full on May 16, 2008. Interest will be accrued quarterly beginning August 16, 2006 at 4.25%.

The annual requirements to amortize notes payable as of June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 27,625	\$ 27,625
2008	650,000	27,625	677,625
<u>Total</u>	<u>\$ 650,000</u>	<u>\$ 55,250</u>	<u>\$ 705,250</u>

Walton County is financially liable for this mortgage indebtedness of the Development Authority of Walton County. During fiscal year 2006, the Walton County Board of Commissioners, in accordance with existing agreements with the Development Authority, made direct payments of \$937,663 to the Walton County Development Authority. Of that, \$737,663 was used by the Development Authority of Walton County to pay debt service on its 2000 Revenue Bonds. The remaining \$200,000 was paid by the Commissioners to support the current operations of the Development Authority.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Water and Sewerage Authority Discretely Presented Component Unit

Long-term debt activity for the Water and Sewerage Authority for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Increase	Decrease	Balance June 30, 2006	Due within one year	Due after one year
Revenue Bonds -1989	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ -	\$ 25,000
Revenue Bonds -1996	6,510,000	-	265,000	6,245,000	275,000	5,970,000
Revenue Bonds -2002	14,065,000	-	245,000	13,820,000	255,000	13,565,000
Less deferred amounts:						
For issuance discounts	(281,557)	-	(14,274)	(267,283)	(14,274)	(253,009)
Total Revenue bonds payable	<u>20,318,443</u>	<u>-</u>	<u>495,726</u>	<u>19,822,717</u>	<u>515,726</u>	<u>19,306,991</u>
GEFA Notes	739,080	-	60,976	678,104	63,956	614,148
Newton County Notes	2,280,187	-	96,688	2,183,499	102,142	2,081,357
Cornish Creek Expansion	4,780,000	-	-	4,780,000	-	4,780,000
Water Meter Project Note	-	4,500,000	-	4,500,000	370,028	4,129,972
Note payable	3,454,326	-	-	3,454,326	3,454,326	-
Total notes payable	<u>11,253,593</u>	<u>4,500,000</u>	<u>157,664</u>	<u>15,595,929</u>	<u>3,990,452</u>	<u>11,605,477</u>
Total	<u>\$ 31,572,036</u>	<u>\$ 4,500,000</u>	<u>\$ 653,390</u>	<u>\$ 35,418,646</u>	<u>\$ 4,506,178</u>	<u>\$ 30,912,468</u>

The Authority currently has three bond indentures outstanding as of June 30, 2006, which are:

- **1989 Series** - 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 payable each February and August through 2015. Of the original amount of the bonds, only \$25,000 remains outstanding due to an advance refunding in 1996, see below. The remaining principal balance will be paid out in 2015.
- **1996 Series** - Revenue bonds for acquisition of water system assets payable to the bondholders in the original amount of \$8,070,000 bearing interest at the rate of 4.30% to 6.00%, principal payable each February through 2021 with accrued interest to date.

The revenue bonds are a lien on the net revenues generated by the water system of the Authority, and the bond ordinances require, among other things, 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 to create a reserve fund of \$645,526, which was fully funded at year end. The ordinance also requires the Authority to maintain rates to produce earnings at least equal to 1.2 times the debt service requirements of its revenue bonds.

On June 1, 1996, the Authority issued \$8,070,000 in Revenue Bonds with an average interest rate of 5.89% to advance refund part of the outstanding 1989 Series bonds, provide funds for future construction, prepay existing GEFA debt, and set up necessary reserve accounts.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The amount deposited in an escrow fund was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Series bonds. As a result, \$2,045,000 of the 1989 Series bonds are considered to be defeased and the liability for those bonds has been removed.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of (\$207,111). This difference, reported in the accompanying financial statements as an asset, is being charged to operations through the year 2015 using the straight-line method. The Authority completed the advance refunding to reduce its debt service payments on the old debt and to acquire new funds for future improvements and expansion. The net effect of the defeasance was an economic gain of \$106,495.

- 2002 Series: Revenue bonds payable to the bondholders in the original amount of \$14,550,000 bearing interest at the rate of 2.0 to 4.5%, principal payable each February and August through 2028 with accrued interest to date.

The revenue bonds are a lien on the net revenues generated by the water system of the Authority, and the bond ordinances require, among other things, that the rates 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 to create a reserve fund of \$855,924, which was fully funded at year end. The ordinance also requires the Authority to maintain rates to provide earnings at least equal to 1.2 times the debt service requirements of its revenue bonds.

The Authority issued \$14,550,000 in revenue bonds with an average interest rate of 3.25% with yields ranging from 1.52 to 4.67% to provide funds for future construction of additions, extensions, and improvements to the water - related facilities, to fully fund a reserve account to service the 2002 Series bonds, and pay the costs of issuance of the Series 2002 bonds.

Notes Payable. Notes payable at June 30, 2006 are comprised of the following obligations:

- GEFA: 4.0% construction loan payable to Georgia Environmental Facilities Authority (GEFA 1993); total amount available under loan is \$ 1,180,000; due in quarterly installments over 20 years at 4.8%; includes capitalized interest of \$30,076 payable through 10/31/14.
- Newton County: The Authority has agreed to pay Newton County, Georgia for certain costs pertaining to the Cornish Creek reservoir and treatment plant, which the Authority has a

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

25% interest. The Authority has agreed 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 twenty-year period at 5.5% per annum, payable at \$18,307 per month. The debt repayment commenced on December 1, 2000 and will continue until the debt is retired.

During 2004, Newton County, Georgia issued Bonds to refinance the prior debt and to pay for certain capital improvements. The Authority's share of this debt issue was \$4,780,000. This debt is interest only for the first five years at approximately \$209,703 per year with principal payments commencing in 2010 with debt service at approximately \$450,000 per year.

- Wachovia Bank: On June 24, 2005, the Authority borrowed \$3,454,326, which was used on July 1, 2005 to purchase approximately 422 acres of land related to the Hard Labor Creek reservoir. This loan, refinanced on June 23, 2006, which bears interest of 3.99% is due June 22, 2007 and may not be prepaid. The loan is secured by revenues from the water system.
- Citimortgage: On June 30, 2006, the Authority borrowed \$4,500,000 to fund installation of radio read water meters. This loan accrues interest at a rate of 4.195%. The principal and interest is payable in monthly installments of \$45,979 until the maturity date of June 30, 2016. The loan is secured by revenues from the water system.

The scheduled payments of principal and interest are as follows:

Bond Indebtedness-1989 Series

	Principal	Interest	Total
2007	\$ -	\$ 2,063	\$ 2,063
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	-	2,063	2,063
2014	-	2,063	2,063
2015	25,000	2,063	27,063
	<u>\$ 25,000</u>	<u>\$ 18,567</u>	<u>\$ 43,567</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Bond Indebtedness-1996 Series

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 275,000	\$ 364,684	\$ 639,684
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	380,000	258,944	638,944
2014	405,000	236,619	641,619
2015	405,000	212,825	617,825
2016	455,000	189,031	644,031
2017	480,000	162,300	642,300
2018	510,000	133,500	643,500
2019	540,000	102,900	642,900
2020	570,000	70,500	640,500
2021	605,000	36,300	641,300
	<u>\$ 6,245,000</u>	<u>\$ 3,349,403</u>	<u>\$ 9,594,403</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Bond Indebtedness-Series 2002, Revenue Improvement Bonds

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 255,000	\$ 580,579	\$ 835,579
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	315,000	531,730	846,730
2014	320,000	521,020	841,020
2015	335,000	509,500	844,500
2016	350,000	497,105	847,105
2017	370,000	479,605	849,605
2018	385,000	464,805	849,805
2019	400,000	449,405	849,405
2020	420,000	432,905	852,905
2021	440,000	415,055	855,055
2022	1,095,000	395,805	1,490,805
2023	1,145,000	347,625	1,492,625
2024	1,200,000	296,100	1,496,100
2025	1,255,000	242,100	1,497,100
2026	1,315,000	185,625	1,500,625
2027	1,375,000	126,450	1,501,450
2028	1,435,000	64,575	1,499,575
	<u>\$ 13,820,000</u>	<u>\$ 9,334,278</u>	<u>\$ 23,154,278</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes Payable-GEFA 1993

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 63,956	\$ 31,409	\$ 95,365
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	85,156	10,210	95,366
2014	89,317	6,048	95,365
2015	69,841	1,683	71,524
	<u>\$ 678,104</u>	<u>\$ 156,341</u>	<u>\$ 834,445</u>

Notes Payable - Newton County

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	102,142	117,543	219,685
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	141,970	77,716	219,686
2014	149,978	69,708	219,686
2015	158,438	61,248	219,686
2016	167,375	52,310	219,685
2017	176,816	42,869	219,685
2018	186,790	32,895	219,685
2019	197,326	22,359	219,685
2020	208,457	11,228	219,685
2021	90,289	1,247	91,536
	<u>\$ 2,183,499</u>	<u>\$ 983,631</u>	<u>\$ 3,167,130</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes Payable - Cornish Creek Expansion Capital Participation

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 208,703	\$ 208,703
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	265,000	182,620	447,620
2014	275,000	174,008	449,008
2015	285,000	164,795	449,795
2016	290,000	154,963	444,963
2017	310,000	139,738	449,738
2018	325,000	123,463	448,463
2019	335,000	111,275	446,275
2020	355,000	94,525	449,525
2021	370,000	76,775	446,775
2022	390,000	58,275	448,275
2023	410,000	38,775	448,775
2024	430,000	18,275	448,275
	<u>\$ 4,780,000</u>	<u>\$ 2,566,465</u>	<u>\$ 7,346,465</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes Payable - Water Meter Project

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 370,028	\$ 181,714	\$ 551,742
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	475,725	76,017	551,742
2014	496,070	55,672	551,742
2015	517,285	34,458	551,743
2016	539,406	12,336	551,742
	<u>\$ 4,500,000</u>	<u>\$ 1,017,422</u>	<u>\$ 5,517,422</u>

Notes Payable - Reservoir Land

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	<u>\$ 3,454,326</u>	<u>\$ 137,828</u>	<u>\$ 3,592,154</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Balances due to/from other funds at June 30, 2006, consist of the following:

Due to the General Fund from the SPLOST Capital Project Fund for capital projects	\$ 3,213,723
Due to the General Fund from the Sheriff Special Revenue Fund for equipment purchase	3,545
Due to the General Fund from the Crime Victim's Assistance Fund for salary reimbursements	16,159
Due to the General Fund from the Multiple Grants Fund for grant receivables	193,625
Total due to the General Fund	<u>3,427,052</u>
Due to the Worker's Compensation Internal Service Fund from the General Fund for expenditures	128,649
Due to the Health Benefits Internal Service Fund from the General Fund for expenditures and withholdings	316,727
Total due by the General Fund to Internal Service Funds	<u>\$ 445,376</u>
Total	<u>\$ 3,872,428</u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended June 30, 2006 consist of the following:

From General Fund to Debt Service Fund for debt payments	\$ 1,832,320
From General Fund to Capital Projects for capital projects	156,350
From General Fund to E911 for operating costs	238,423
From General Fund to Multiple Grants Fund to matching of grant expenditures	101,562
From General Fund to Solid Waste for operating costs	510,299
From General Fund to EMS for operating costs	689,575
Total transferred out from the General Fund	<u>3,528,529</u>
From Debt Service Fund to General Fund for funds released due to refinancing	<u>620,078</u>
 Transfers from Other Nonmajor Governmental Funds	
From Clerk's Authority to General Fund for allowable expenditures	1,947
From Multiple Grants fund to EMS for matching of grant expenditures	4,711
Total transferred out from Other Nonmajor Governmental Funds	<u>6,658</u>
Total	<u><u>\$ 4,155,265</u></u>

NOTE 8 – RETIREMENT PLANS

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.

A. Plan Description

The County sponsors the Association County Commissioners of Georgia Restated Pension Plan for Walton County Employees (The Plan), which is a defined benefit pension plan. The plan provides retirement, disability, and death benefits to plan participants and beneficiaries. The Plan, through execution of the adoption agreement, is affiliated with the Association County Commissioners of Georgia Defined Benefit Plan (the ACCG Plan), an agent multiple-employer pension plan

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 – RETIREMENT PLANS (CONTINUED)

administered by Georgia Employees Benefits Corporation of Georgia. The ACCG in its role as the Plan Sponsor has the sole authority to amend the provisions of The ACCG Plan, as provided in Section 19.03 of the ACCG Plan document. The County has the authority to amend the adoption agreement, which defines the specific benefit provisions of the Plan, as provided in Section 19.02 of the ACCG Plan Document. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Walton County Board of Commissioners, 303 S. Hammond Dr, Monroe, Georgia 30655. The County's payroll for employees participating in the Plan as of January 1, 2005, (the most recent actuarial valuation date) was \$15,283,997 (based on covered earnings of preceding year).

All full-time County employees and those part-time employees working at least 20 hours per week for at least five months per year are eligible to participate in the Plan after completing two years of service. The employee is vested 50% after completing four years of service.

Normal retirement age is age 65. 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.

B. Funding Policy

The County is required to contribute at an actuarially determined rate. The contribution amount is determined using actuarial methods and assumptions approved by the ACCG Plan trustees and must satisfy the minimum contribution requirement contained in the State of Georgia Statutes. Section 47-20 of the Georgia Code sets forth the funding standards for state and local governmental pension plans.

County employees are not required to contribute to the Plan. Contributions totaling \$811,514 (\$811,514 employer and \$0 employee) were made in accordance with the contribution requirements determined by an actuarial valuation performed as of January 1, 2005 (the most recent actuarial valuation date).

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 – RETIREMENT PLANS (CONTINUED)

C. Annual Pension Cost

The cost of administering the plan is funded with earnings from investments.

The Georgia Constitution enables the governing authority of the county, the Board of Commissioners, to establish and amend from time to time, the contribution rates for the employer and its plan members.

The information was determined as part of the actuarial valuation as of January 1, 2005. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2005
Actuarial Cost method	Projected Unit Credit
Asset Valuation method	Market Value
Amortization method	Level Percent of Pay (Closed)
Remaining amortization period	9 years
(This represents the estimated amortization period for all unfunded liabilities combined into one amortization base.)	
Actuarial assumptions:	
Assumed rate of return on assets*	8.0% per annum
Expected future salary increases*	5.0% per annum
Cost of Living Adjustments*	2.5% per annum
*Includes inflation at	3.0%

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	\$ 718,443
Interest on net pension obligation	(10,450)
Amortization of net pension obligation	11,026
Annual pension cost	<u>719,019</u>
Contribution made	<u>(811,514)</u>
Increase(decrease) in Net Pension Obligation	(92,495)
Net pension obligation, January 1, 2004	<u>(130,627)</u>
Net pension obligation, January 1, 2005	<u><u>\$ (223,122)</u></u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 – RETIREMENT PLANS (CONTINUED)

D. Historical Trend Information

Historical trend information, designed to provide information about a public employee retirement system's progress made in accumulating sufficient assets to pay benefits when due, is presented below:

Fiscal Year	Annual Pension Cost(APC)	Actual County Contribution	Percentage of APC Contributed	Net Pension Obligation
<u>Beginning</u>				
2005	\$ 719,019	\$ 811,514	112.9%	\$ (223,122)
2004	\$ 679,309	\$ 793,687	116.8%	\$ (130,627)
2003	\$ 155,729	\$ 155,657	100.0%	\$ (16,249)

Defined Contribution Pension Plan

A. Plan Description

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 years 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, 2006 were \$1,216,490. 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.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 – RETIREMENT PLANS (CONTINUED)

- (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 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.

NOTE 9 - CONTINGENT LIABILITIES

The County participates in a number of federal and state assisted grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government’s management that resolution of these matters will not have a material adverse effect on the financial condition of the government.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 10 - 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:

	Year Ending June 30, 2006	Year Ending June 30, 2005
Unpaid claims, beginning of year	\$ 333,437	\$ 53,136
Incurred claims	3,354,417	3,644,096
Claim payments	(3,391,968)	(3,363,795)
Unpaid claims, end of year	\$ 295,886	\$ 333,437

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.

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.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 10 - RISK MANAGEMENT (CONTINUED)

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

	Year Ending June 30, 2006	Year Ending June 30, 2005
Unpaid claims, beginning of year, restated	\$ 240,000	\$ 210,000
Incurred claims	347,683	111,039
Claim payments	(137,683)	(81,039)
Unpaid claims, end of year	\$ 450,000	\$ 240,000

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 established 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, 2006.

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, 2006.

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

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 11 – NORTHEAST GEORGIA REGIONAL DEVELOPMENT CENTER

Walton County, in conjunction with cities and counties in the area are members of the Northeast Georgia Regional Development Center (RDC). Membership in the RDC is automatic for each municipality and county in the state. The official Code of Georgia Section 50-8-34 (Georgia Planning Act of 1989) provides for the organizational structure of the RDCs. Each county and municipality in the state is required by law to pay minimum annual dues to the RDC. The county paid annual dues in the amount of \$55,505 to the RDC for the year ended June 30, 2006. The RDC Board membership includes the chief elected official of each county and the chief elected official of each municipality. The County board members and municipal board members from the same county elect one member of the Board who is a resident (but not an elected or appointed official or employee of the County or municipality) to serve as the nonpublic Board member from a County.

The Georgia Planning Act of 1989 (O.C.G.A. 50-8-34) defines RDCs as “public agencies and instrumentalities of their members.” Georgia laws also provide that the member governments are liable for any debts or obligations of an RDC beyond its resources. (O.C.G.A. 50-8-39.1)

Separate financial statements for the RDC may be obtained from: Northeast Georgia Regional Development Center, 305 Research Drive, Athens, Georgia 30605.

NOTE 12- 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 \$1,511,694.

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.

NOTE 13 – SUBSEQUENT EVENT(S)

Effective July 1, 2006 the Walton County Water and Sewerage Authority leased all of its assets and transferred all of its operations and liabilities, including all of its bonds payable, to Walton County for a period of fifty years. The employees of the Authority became employees of the County on that date. Since the County has full power to act for the Authority, the Authority will be accounted for as

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 13 – SUBSEQUENT EVENT(S) (CONTINUED)

a blended component unit as the Water and Sewerage Authority Enterprise Fund. As of July 1, 2006, The County will record all assets and liabilities of the Authority at the amounts as of June 30, 2006. The beginning net assets will be included, but will be labeled as “restated” to reflect the fact that this component unit is moving from a discretely presented component unit to a blended component unit.

NOTE 14 – 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, 2006, the amount of Industrial Revenue Bonds issued on behalf of private-sector entities outstanding was \$51,250,000.

NOTE 15 - CERTAIN SIGNIFICANT ESTIMATES

As discussed in NOTE 1, estimates are used in the preparation of these financial statements. Six of the estimates qualified as a significant estimate, in that it is reasonably possible that the estimate will change in the near term due to one or more future confirming events and this change will have a material effect on the financial statements.

The estimate for allowance for doubtful accounts relating to Walton County EMS accounts receivable qualifies as a significant estimate. The estimate is calculated based on the previous year’s collection percentage of accounts greater than one year old.

The estimate for allowance for doubtful accounts related to fines receivable qualifies as a significant estimate. The estimate is calculated based on prior years’ collection experience.

The estimates for claims payable for workers compensation and health insurance as discussed in Note 10, qualify as significant estimates.

The estimate for accumulated depreciation on capital assets qualifies as a significant estimate. This estimate is based on the original or estimated cost of the assets depreciated over the estimated useful lives using the straight line method.

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

The following table summarizes the prior period adjustments.

		Adjustment Amount Increase (Decrease) to Net Assets
Government-wide reporting		
Record the Net Pension Obligation at 6/30/05	\$	130,627
Record the Fines Receivable at 6/30/05		666,916
Adjustments reported on the fund level - governmental funds		129,527
Adjustments reported on the fund level - internal service funds		370,057
Adjust the capital lease payable at 6/30/05		1,212
Adjust the Joint Venture asset at 6/30/05		(2,141,141)
Total adjustments reported on the Statement of Activities (page 2)	\$	<u><u>(842,802)</u></u>
General Fund		
Record the Fines Receivable at 6/30/05	\$	78,755
Record accounts payable at 6/30/05		(11,778)
Record accounts receivable at 6/30/05		19,912
Record deferred revenues at 6/30/05		(8,845)
Record the liability for underpaid employees at 6/30/05		(110,357)
Record forfeiture revenues at 6/30/05		94,088
Transfer the fund balance in Multiple Grants Fund at 6/30/05		4,307
Record grants receivable at 6/30/05		56,820
Subtotal adjustments		<u><u>122,902</u></u>
Debt Service Fund		
Remove accrued interest expense at 6/30/05		64,305
Subtotal adjustments		<u><u>64,305</u></u>
SPLOST Fund		
Record retainage payable at 6/30/05		(17,800)
Subtotal adjustments		<u><u>(17,800)</u></u>
Nonmajor funds:		
Seized/Forfeited Drug Fund		
Remove balances for accounts not county owned at 6/30/05		(72,886)
Remove accounts receivable inaccurately booked at 6/30/05		(6,509)
Subtotal adjustments		<u><u>(79,395)</u></u>
Sheriff's Department Fund		
Record accounts receivable at 6/30/05		27,979
Subtotal adjustments		<u><u>27,979</u></u>
Juvenile Supplemental Services Fund		
Record the Fines Receivable at 6/30/05		8,877
Subtotal adjustments		<u><u>8,877</u></u>

WALTON COUNTY, GEORGIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Multiple Grants Fund	
Transfer the fund balance at 6/30/05 to the general fund	(4,307)
Subtotal adjustments	(4,307)
Crime Victim's Assistance Fund	
Record accounts receivable at 6/30/05	6,966
Subtotal adjustments	6,966
Total prior period adjustment shown in the governmental funds (page 5)	\$ 129,527
Health Insurance Benefit Fund	
Record amounts due from other funds at 6/30/05	\$ 316,878
Record accounts receivable at 6/30/05	241,738
Subtotal adjustments	558,616
Workers Compensation Fund	
Correct the accrued liability reported at 6/30/05	(233,840)
Record prepaid insurance at 6/30/05	51,936
Record accounts payable at 6/30/05	(5,209)
Correct the cash balance to actual at 6/30/05	(1,446)
Subtotal adjustments	(188,559)
Total prior period adjustment shown on the internal service funds (page 8)	\$ 370,057