

WALTON COUNTY, GEORGIA

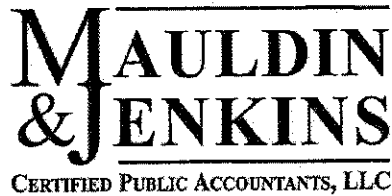
**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE
WITH THE SINGLE AUDIT ACT AND
*GOVERNMENT AUDITING STANDARDS***

YEAR ENDED JUNE 30, 2008

WALTON COUNTY, GEORGIA
SINGLE AUDIT OF FEDERAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2008

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

To the Board of Commissioners of
Walton County, Georgia

We have audited the 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 (the "County") as of and for the year ended June 30, 2008, which collectively comprise Walton County, Georgia's basic financial statements and have issued our report thereon dated January 19, 2009. We did not audit the financial statements of the Walton County Health Department. Those financial statements were audited by other auditors whose reports have been furnished to us. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported separately by those 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.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2008-1 through 2008-7, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1, 2008-2, 2008-3, 2008-4, and 2008-7 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-4 and 2008-8.

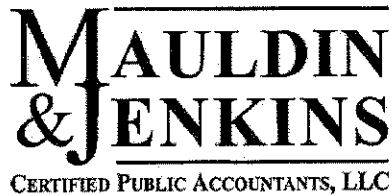
We noted certain matters that were reported to management of the County in a separate letter dated January 19, 2009.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 19, 2009



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

To the Board of Commissioners of
Walton County, Georgia

Compliance

We have audited the compliance of Walton County, Georgia (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Walton County, Georgia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the 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, 2008, and have issued our report thereon dated January 19, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Walton County, Georgia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 basic financial statements taken as a whole.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 19, 2009

WALTON COUNTY, GEORGIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Agency or Pass- through Grantor Number | Total Expenditures |
|--|---------------------------|--|-----------------------|
| U.S. DEPARTMENT OF JUSTICE | | | |
| State Criminal Alien Assistance Program | 16.606 | 2007-F6881-GA-AP | \$ 19,583 |
| Passed through Criminal Justice Coordinating Council | | | |
| Victims Witness Assistance Program | 16.575 | 2005-VA-GX-0050 | 5,269 |
| Victims Witness Assistance Program | 16.575 | 2006-VA-GX-0052 | 69,737 |
| Victims of Crime Assistance Program | 16.575 | 2006-VA-GX-0052 | 12,075 |
| Victims of Crime Assistance Program | 16.575 | 2007-VA-GX-0050 | 58,826 |
| | | | <u>145,907</u> |
| Passed through Georgia Judicial Council | | | |
| Purchase of Services for Juvenile Offenders | 16.523 | 04B-ST-0001 | 2,800 |
| Purchase of Services for Juvenile Offenders | 16.523 | 05B-ST-0001 | 10,497 |
| | | | <u>13,297</u> |
| Passed through Children and Youth Coordinating Council | | | |
| Probation Program | 16.540 | 06J-16-07-0003 | 38,091 |
| Mini Grant for Boys and Girls Club | 16.548 | 04P-11-09-0007 | 15,000 |
| Total U.S. Department of Justice | | | <u>231,878</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | |
| Passed through Georgia Emergency Management Agency | | | |
| Assistance to Firefighters/Fire Station Alerting | 97.044 | EMW-2006-FG-10917 | 179,981 |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| Passed through Governors Office of Highway Safety | | | |
| Specialized Traffic Enforcement & Safety | 20.600 | GA2007-147-00576 | 27,181 |
| Specialized Traffic Enforcement & Safety | 20.600 | GA-2008-147-00557 | 58,621 |
| Total U.S. Department of Transportation | | | <u>85,802</u> |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| NCRS | 10.912 | 65-4310-6-340 FY 07 | 2,722 |
| NCRS | 10.912 | 68-4310-7-203 FY 08 | 9,664 |
| Total U.S. Department of Agriculture | | | <u>12,386</u> |
| Total Expenditures of Federal Awards | | | \$ <u>510,047</u> |

See note to schedule of expenditures of federal awards.

WALTON COUNTY, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

BASIS OF PRESENTATION

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

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered
to be material weaknesses? yes no

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

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular
A-133, Section 510(a)? yes no

Identification of major program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|--|
| 97.044 | Assistance to Firefighters/Fire Station Alerting |
| 20.600 | Specialized Traffic Enforcement & Safety |

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

Auditee qualified as low-risk auditee? yes no

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses

2008-1 Payables and Related Expenditures/Expenses

Criteria: Internal controls should be in place to ensure that the amounts reported as payables and expenditures/expenses are in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's payables and expenditures/expenses.

Context/Cause: During our testing of accounts payables, audit adjustments were required to correct payables and related expense amounts. The nature of these adjustments are as follows:

- Additional payables were found during testing of the General fund, E911 fund and SPLOST 2007 fund; and those funds required adjustments of approximately \$83,500, \$43,000 and \$1,382,000, respectively.
- Multiple payable accounts required adjustments to remove payables which were incorrectly accrued. The General fund, Drug Abuse Treatment and Education fund and the Water fund required adjustments of approximately \$742,000, \$27,000, and \$96,000, respectively, to properly report payables and related expenditures/expenses.
- The Water fund required an adjustment of approximately \$517,000 to properly report interest expense for capitalized interest on construction in progress.

Effects: Audit adjustments totaling approximately \$2,890,500 were needed to correctly report expenses for the year ended June 30, 2008.

Recommendation: We recommend the County carefully review all payables and related expenditures/expenses to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: Management agrees with this finding and is in the process of completing a corrective action plan.

At the time the audit began Walton County lacked the personnel to review and make adjusting entries for payables in a timely manner. Walton County has added additional personnel to review and adjust payables as required on a monthly basis.

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-2 Capital Assets Reporting

Criteria: Internal controls should be in place to ensure that the amounts reported as capital assets are in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's capital assets.

Context/Cause: During our testing of capital assets, audit adjustments were required to correct capital asset amounts. The nature of these adjustments are as follows:

- The Water fund did not properly capitalize interest which it incurred during the construction of its current year projects. Interest amounts of approximately \$1,415,000 were required to be adjusted and added into the various projects of the Water fund.
- The Solid Waste fund incorrectly expensed an asset that should have been capitalized. An adjustment of approximately \$17,000 was required.

Effects: Audit adjustments for approximately \$1,432,000 were needed to correctly report capital assets for the year ended June 30, 2008.

Recommendation: We recommend the County carefully review all capital assets and related expenses to ensure they are reported appropriately in accordance with generally accepted accounting principles.

Auditee's Response: Management agrees with this finding and is in the process of completing a corrective action plan.

Effects on the Water Fund are a result of the change in auditors and the County is working with the current auditors to maintain consistency.

At the time the audit began Walton County lacked the personnel to review and make any adjusting entries involving capital assets in a timely manner. Walton County has hired additional staff to review and maintain asset keeper program. In addition, departments are being trained to evaluate their requisitions to ensure they are properly encoded for expenditures/expenses related to capital assets.

WALTON COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-3 Restatement of Beginning Net Assets – Prior Period Adjustments

Criteria: Internal controls should be in place to prevent material misstatements in the reporting of the County's financial statements.

Condition: Internal controls were not sufficient to prevent material misstatements in the reporting of the County's financial statements for the year ended June 30, 2007.

Context/Cause: During our audit, audit adjustments were required to restate beginning net assets. The nature of these adjustments is as follows:

- A prior period adjustment of approximately \$147,000 was required to properly report the Water fund's capital lease activity for the prior year.
- A prior period adjustment of approximately \$546,000 was required to properly report the Water Authority as a blended component unit.
- A prior period adjustment of approximately \$63,000 was required to properly report the post-closure liability of the Solid Waste fund in prior years.
- A prior period adjustment of approximately \$170,000 was required to properly report the DA Forfeiture fund as a special revenue fund.

Effects: Audit adjustments totaling approximately \$926,000 were needed to correctly report the opening equity amounts for the County.

Recommendation: We recommend the County implement the necessary controls to ensure that all transactions are reported in accordance with generally accepted accounting principles.

Auditee's Response: Management agrees with this finding and is in the process of completing a corrective action plan.

Prior period adjustments effecting water fund are the result of changes in presentation of water authority in the financial statements. Consultants have been retained to assist in developing controls and training staff to ensure compliance with generally accepted accounting principles.

Process has been established to monitor the post-closure liabilities and ensure any applicable liabilities for solid waste are recorded correctly in the future.

WALTON COUNTY, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-4 SPLOST Expenditures

Criteria: Internal controls should be in place to ensure that SPLOST expenditures are in accordance with approved SPLOST referendums.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's SPLOST expenditures and compliance with the County's 2007 SPLOST referendum.

Context/Cause: During our testing of SPLOST disbursements, audit adjustments were required to reclassify approximately \$322,000 of SPLOST expenditures, which were given to a local city for reimbursement of expenditures which were not in accordance with the voter approved referendum.

Effects: Audit adjustments totaling approximately \$322,000 were needed to correctly report SPLOST expenditures for the year ended June 30, 2008.

Recommendation: We recommend the County carefully review all SPLOST expenditures and the supporting documentation provided for SPLOST reimbursements to ensure they are properly reported and are in accordance with the requirements stated in the referendums.

Auditee's Response: Management agrees with this finding and is in the process of completing a corrective action plan.

The County will no longer rely on the assurances of the City of Social Circle to ensure the invoices received for reimbursement comply with the intergovernmental agreement and/or SPLOST bond referendum. More detailed support documentation for draw requests will be required in the future.

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-5 Segregation of Duties

Criteria: Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

Condition: Appropriate segregation of duties does not exist among custody, receipting, recording, distribution, reconciliation of cash accounts and other operational functions in the various funds maintained by the Magistrate Court.

Context/Cause: Several instances of overlapping duties were noted during interviews regarding internal control procedures.

Effects: Failure to properly segregate duties among custody, recording, distribution, and reconciliation of accounts can lead to misappropriation of funds that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

Recommendation: We recommend the County segregate duties relative to the custody, receipting, recording, distribution, and reconciliation of accounts.

Auditee's Response: Management agrees with this finding and is in the process of completing a corrective action plan.

Magistrate court has implemented a procedure whereby tellers are no longer balancing their own cash drawers. Magistrate court is working to implement additional controls to ensure separation of duties.

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-6 Unidentified Funds

Criteria: All constitutional offices must have a proper function of receiving funds, recording the receipt of funds, and timely and properly remitting such funds to the appropriate parties upon their disposition in accordance with State of Georgia laws.

Condition: Internal controls were not sufficient to allow the constitutional offices to properly identify and remit the funds which were collected as of June 30, 2008.

Context/Cause: During our testing of the County's agency funds, we noted the following funds for which the constitutional offices did not know to whom the amounts were owed:

- The Magistrate Court's office could not identify approximately \$400 of unidentified cash bonds; \$12,000 of civil case collections; \$13,000 of bad check collections, \$7,000 in the ordinances account and \$5,000 in the escrow account;
- The Probate Court's office could not identify approximately \$15,000 from the cash bonds account and \$2,000 from the clearing account;
- The Sheriff's office could not identify approximately \$6,000 of funds in the main operating account;
- The Sheriff's office did not have a subsidiary listing as of June 30, 2008 for the amounts collected and held for the inmates, which was approximately \$7,700.

Effects or possible effects: By not reconciling the cash balances to the supporting detail listings of amounts payable, differences could occur and go undetected by the respective offices. Additionally, this will create difficulties for the proper tracking, maintenance and disbursement of these funds.

Recommendation: We recommend the respective offices make every effort to determine who the proper payee(s) are for these funds and disburse the funds as quickly as possible. If the payee cannot be determined, consultation with the County Attorney is recommended. Additionally, we recommend the proper maintenance and reconciliation of detail subsidiary listings going forward.

Auditee's Response: Management agrees with this finding and is in the process of completing a corrective action plan.

Magistrate court has reconciled all of their monies and is working with finance to establish processes and procedures to reconcile the subsidiary detail on a monthly basis.

Probate court is working with finance to establish processes and procedures to reconcile the subsidiary detail on a monthly basis.

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-6 Unidentified Funds

Auditee's Response (Continued): The software program managing the Sheriff's office funds in inmate commissary account is a real time program. As a result any reports created only reflect balances at that point in time the report is created. A process has been established to generate reports the last day of each month to capture the detail of deposits in the inmate commissary account, which can then be reconciled to the general ledger.

The Sheriff's general account accepts both pass through monies and fees for sheriff department services. Pass through monies are deposited and remitted from the account on the same day the monies are received or the first of the next day. Monies remaining the in account belong to the sheriff. While we agree it is not the best practice to co-mingle funds in the same account, we disagree that the sheriff's office cannot account for whom the money left in the account belongs to, as it belongs to the sheriff. Finance is working with the sheriff's office to establish a better practice regarding this account.

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-7 Timely Reporting of Accurate Financial Information (Water & Sewer Fund)

Criteria: Timely and accurate financial reporting of all funds included in the financial statements of the County is imperative to facilitate informed financial decisions by the County's management and those with oversight of management.

Condition: Internal controls were not sufficient to facilitate the accurate, timely reporting of the County's financial position and results of operations as of and for the year ended June 30, 2008 for the Water & Sewer fund.

Context/Cause: The County did not complete its year-end closing process of the Water fund to provide final trial balances and the necessary subsidiary ledgers for the year ended June 30, 2008 for auditing until late October 2008.

Effects: The County was unable to report accurate financial information on an accrual basis, as appropriate, in a timely manner.

Recommendation: We recommend management implement procedures to ensure timely and accurate financial reporting to facilitate informed financial decisions.

Auditee's Response: Management agrees with this finding and is in the process of developing a corrective action plan.

Consultants have been hired to assess personnel, processes, and procedures to assist in developing standard operating procedures to ensure accurate and timely reporting of financial information and year-end closing. Additional staff has been hired to assist in year-end closing for the water fund.

WALTON COUNTY, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II – Financial Statement Findings and Responses (Continued)

2008-8 Governmental Fund Budgets

Criteria: State of Georgia law (OCGA 36-81-3) states that: a) Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget shall be adopted by ordinance or resolution and administered in accordance with this article; and b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Condition: State law requires local governments to adopt annual appropriated budgets for all governmental funds. Management did not adopt annual budgets for the following special revenue funds for the fiscal year ended June 30, 2008: Law Library, Forfeited Drug Seizure, Clerk's Authority, Drug Abuse Resistance Education, Crime Victims' Assistance, Seized Drug, and DA Forfeiture. Additionally, we noted during our audit that, although the City adopted an original balanced budget for the Multiple Grant Fund, through amendments the final budget reflected a budget deficit of approximately \$97,000.

Context/Cause: During our inquiry of management about governmental funds, it was determined that the above funds failed to have adopted budgets and the Multiple Grant Fund budget reflected a budget deficit which led to the County not being in compliance with the State law for adopting an annual balanced budget for all governmental funds.

Effects: Lack of an annual balanced budget for these funds has resulted in a compliance violation with State law.

Recommendation: We recommend the County timely adopt annual balanced budgets for all special revenue and debt service funds and the General Fund.

Auditee's Response: Management agrees with this finding and is in the process of developing a corrective action plan.

At the time the FY 2008 budget was development and approved, several of these funds did not exist. They were set up as part of FY 2007 closing and adjusting entries. A process is in place to ensure balanced budgets are in place and approved by the Board of Commissioners as prescribed by State of Georgia law.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – Status of Prior Audit Findings

The prior audit's schedule of findings and questioned costs included no findings relative to federal awards.