

WALTON COUNTY, GEORGIA

FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended

June 30, 2006

WALTON COUNTY, GEORGIA

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INDEPENDENT AUDITORS' REPORT

December 14, 2006

Board of Commissioners
Walton County, Georgia
Monroe, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of WALTON COUNTY, GEORGIA as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of WALTON COUNTY, GEORGIA's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the WALTON COUNTY HEALTH DEPARTMENT which statements reflect total assets of \$904,188 as of June 30, 2006, and total revenues of \$1,666,277 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions on the basic financial statements, insofar as it relates to the amounts included for the WALTON COUNTY HEALTH DEPARTMENT in the Component Units are based solely on the reports of the other auditors.

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

Management has not properly recorded the cost and related accumulated depreciation of infrastructure and certain other capital assets. The amount by which this departure would affect the assets, net assets, and expenses is not reasonably determinable.

In our opinion, except for the possible adjustment to capital assets in governmental activities and business-type activities, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely

presented component units, each major fund, and the aggregate remaining fund information of WALTON COUNTY, GEORGIA, as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2006 on our consideration of WALTON COUNTY, GEORGIA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Bates, Carter + Co., P.C.

WALTON COUNTY GOVERNMENT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006

Our discussion and analysis of Walton County's financial performance provides an overview and analysis of the County's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the County's financial statements, which begin on page 1 and the Notes to the Financial Statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- The County's net assets totaled \$103 million for its governmental and business-type activities, an *increase* of \$18 million over the previous fiscal year resulting from \$6 million net income in the general fund discussed in more detail on page x, collection of \$1 million impact fees, accumulation of \$1.1 million in SPLOST funds to be spent in future years, \$3.2 million of donated assets, and \$7.8 million of governmental funds revenues that had been applied to repayment of debt.
- Total combined revenues for governmental and business-type activities were \$59.5 million, an *increase* of approximately \$450,000 over the previous fiscal year.
- Overall expenses were \$41.5 million, of which governmental activities were \$38.6 million and business-type activities were \$2.9 million, which was the same as the restated amounts for 2005.
- As of June 30, 2006, governmental activities' expenses exceeded program revenue, resulting in the use of \$25.2 million in general revenues (primarily taxes).
- In the County's business-type activities, revenues were \$1.59 million and expenses were \$2.9 million, for an operating loss of approximately \$1.3 million for 2006. This compares with operating losses of \$1.02 million for the prior fiscal year. Operating losses for the County's business-type activities, Solid Waste & Recycling Operations and Emergency Medical Services, are offset by the use of general revenues.
- The General Fund resources available for appropriation were \$1,321,147 *more* than originally budgeted, and expenditures were \$4,597,208 *less* than originally budgeted.
- The combined fund balance for governmental funds as of June 30, 2006 was \$20.5 million, of which the Special Local Option Sales Tax (SPLOST) Capital Projects Fund comprised \$5.6 million, the General Fund \$13 million, and other governmental funds (special revenue, capital projects and debt service) the remaining \$1.8 million.
- The unreserved fund balance of \$13 million in the General Fund was an *increase* of \$6.3 million from the prior fiscal year.
- On July 1, 2006, the County began collecting impact fees. The County collected over \$970,000 in FY 2006. Collections, combined with interest earned, resulted in a fund balance of \$985,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Government-Wide financial statements, the *Statement of Net Assets* and the *Statement of Activities* (on pages 1- 2) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. The *Statement of Activities* presents information showing *how* the

County's net assets changed during the most recent fiscal year. The governmental fund financial statements start on page 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

Government-wide Reporting:

The Statement of Net Assets and the Statement of Activities

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

These two statements report the County's net assets and changes in them. You can think of the County's net assets—the difference between assets and liabilities—as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are indicators of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall well being of the County.

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

- *Governmental funds*—Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified*

accrual accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between government-wide information (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental fund information in reconciliations on pages 4 and 6, respectively.

- *Proprietary funds*—When the County charges customers for the services it provides—whether to outside customers or to other units of the County—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Activities*. In fact, the County's enterprise funds (a type of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The County's Employee Benefits and Worker's Compensation Funds, used to pay for health care and worker's compensation claims, are included in the proprietary fund group as internal service funds. The proprietary fund statements begin on page 8.

The County as Trustee

Reporting the County's Fiduciary Responsibilities

- *Fiduciary funds*—these funds are used to account for assets held for others. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Assets on page 10 and Statement of Changes beginning on page 73. These agency funds' balances are due to other funds and others as of the fiscal year end. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

NET ASSETS:

The County's *combined* net assets increased \$18.1 million from a year ago—from \$84.9 million to \$103 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

	Governmental Activities		Business-type		Total Primary	
	2006	2005	2006	2005	2006	2005
Assets:						
Current assets	\$ 27,747	\$ 16,426	\$ 373	\$ 424	\$ 28,120	\$ 16,850
Restricted assets-non current	-	-	-	-	-	-
Capital assets-net	86,164	83,796	1,016	1,029	87,180	84,825
Other assets	-	3,375	-	-	-	3,375
Total assets	113,911	103,597	1,389	1,453	115,300	105,050
Liabilities:						
Long-term debt outstanding	9,663	17,315	111	-	9,774	17,315
Other liabilities	2,462	2,631	100	191	2,562	2,822
Total liabilities	12,125	19,946	211	191	12,336	20,137
Net Assets:						
Invested in capital assets, net of debt	80,891	79,560	1,016	1,029	81,907	80,589
Restricted	1,825	542	-	-	1,825	542
Unrestricted	19,070	3,549	163	233	19,233	3,782
Total net assets	\$ 101,786	\$ 83,651	\$ 1,179	\$ 1,262	\$ 102,965	\$ 84,913

Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, were \$19 million at the end of this year, as compared with \$4.9 million at the end of the prior year. The \$14.1 million increase in unrestricted net assets is mostly due to the items discussed under financial highlights on page iii. Included in the additions to capital assets was \$3.2 million in donated capital assets such as greenspace, a metal building, and a couple of utility vehicles.

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

Included in the County's combined current and other assets of \$27.7 million for governmental activities is \$9.3 million of Special Purpose Local Option Sales Tax revenue. Proceeds from the SPLOST Bonds issued December 21, 2001 and SPLOST revenues were used to complete construction of a County administration and judicial facility, additions to the County jail, and for park and recreation facilities. The jail, administration building, and several of the park projects were completed and in use during FY 2005. The County is currently developing the 59-acre park located in the City of Monroe, which was donated to the County during the fiscal year 2004. Over the life of the SPLOST, the County has carefully monitored and conservatively projected revenues when budgeting expenditures to ensure that monthly SPLOST revenues satisfy the SPLOST debt service.

The County reported positive balances in all categories of net assets for FY 2006, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

CHANGES IN NET ASSETS:

The County's total change in net assets from the prior fiscal year was \$18.1 million.

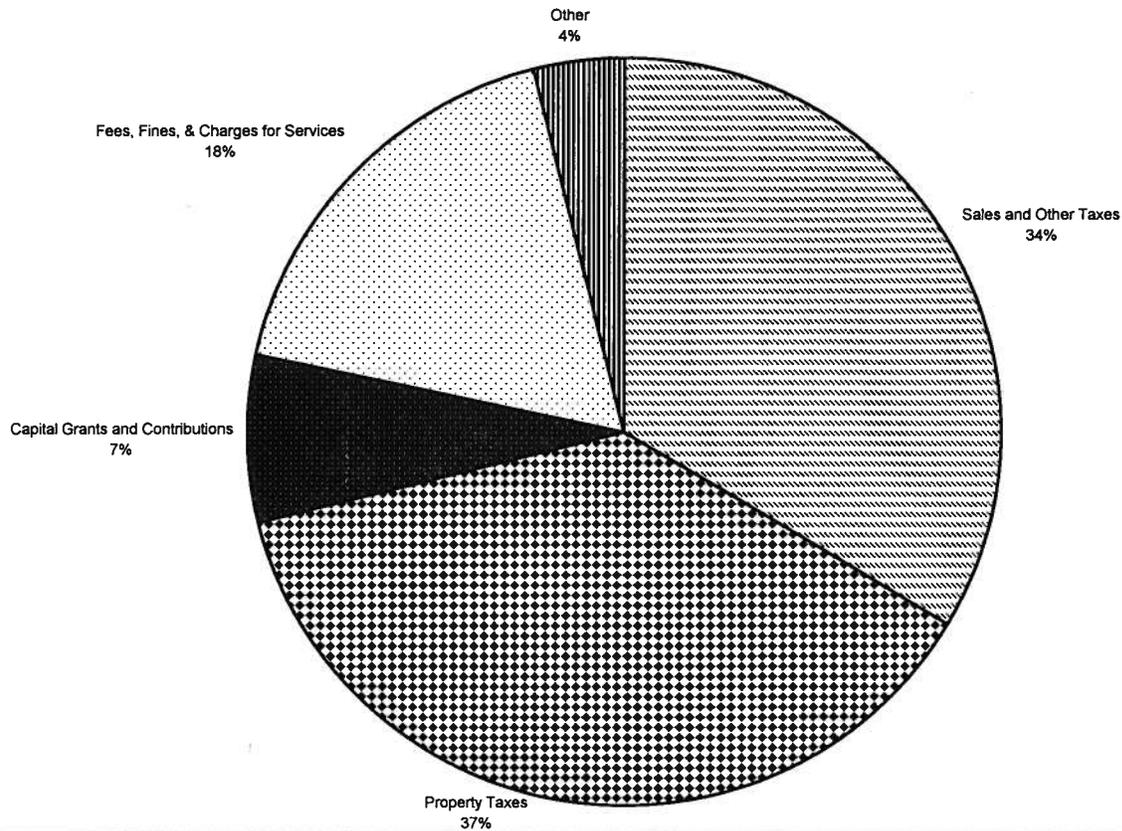
The imposition of a 1% Special Local Option Sales Tax beginning on January 1, 2002, which raised \$10 in FY 2006, \$8 million during FY 2005, and \$7.9 million during FY 2004, resulted in a significant increase again in Other Tax Revenues from the prior fiscal years. As of June 30, 2006, the 2002-2006 SPLOST has raised a cumulative total of approximately \$34 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 8,923	\$ 7,662	\$ 1,592	\$ 2,005	10,515	9,667
Operating grants	911	357	-	-	911	357
Capital grants	3,497	2,417	-	-	3,497	2,417
General revenues:						
Property taxes	22,258	20,819	-	-	22,258	20,819
Other taxes	20,012	16,604	-	-	20,012	16,604
Franchise fees		130	-	-		130
Investment earnings	953	446	2	1	955	447
Grants & Contr.-Unrestricted	1,337	1,046	-	-	1,337	1,046
Gain/(loss) and other	14	12	-	106	14	118
Total revenues	57,905	49,493	1,594	2,112	59,499	51,605
Program expenses						
General government	6,470	7,619	-	-	6,470	7,619
Judicial	3,838	3,727	-	-	3,838	3,727
Public Safety	15,922	15,187	1,952	2,120	17,874	17,307
Public Works	6,318	4,717	930	902	7,248	5,619
Health and welfare	821	502	-	-	821	502
Culture and recreation	2,315	2,060	-	-	2,315	2,060
Housing and development	2,183	3,534	-	-	2,183	3,534
Interest and fiscal charges	697	967	-	-	697	967
Unallocated depreciation		2,111	-	-		2,111
Total expenses	38,564	40,424	2,882	3,022	41,446	43,446
Increase (decrease) in net assets before transfers	19,341	9,069	(1,288)	(910)	18,053	8,159
Transfers	(1,205)	(1,082)	1,205	1,082	-	-
Increase (decrease) in net assets	18,136	7,987	(83)	172	18,053	8,159
Net assets - beginning	84,934	75,707	1,262	1,090	86,196	76,797
Prior period adjustment	-	(43)	-	-	-	(43)
Net assets - beginning, restated	84,934	75,664	1,262	1,090	86,196	76,754
Net assets - ending	\$ 103,070	\$ 83,651	\$ 1,179	\$ 1,262	\$ 104,249	\$ 84,913

As can be seen from the chart below, approximately 37% of the County's combined total revenue was provided by property taxes and 34% by sales and other taxes. Property Taxes as a percent of the County's total revenue was down 3%. Sales and Other Taxes were up 1% along with a 2% increase in Grants and Contributions. The County charges fees for services as varied as housing stray animals, disposal of non-recyclables, providing certified copies of documents, issuing building permits, and the newly implemented impact fees. Additionally, the Courts (Superior, Probate, Magistrate & Juvenile) impose fines for violations of laws and ordinances. As a whole, fees, fines, and charges for services remain consistent with last year at 18% of the County's revenue. The remaining 4% was mostly from intergovernmental revenues and investment income.

FY 2006 Revenue Sources

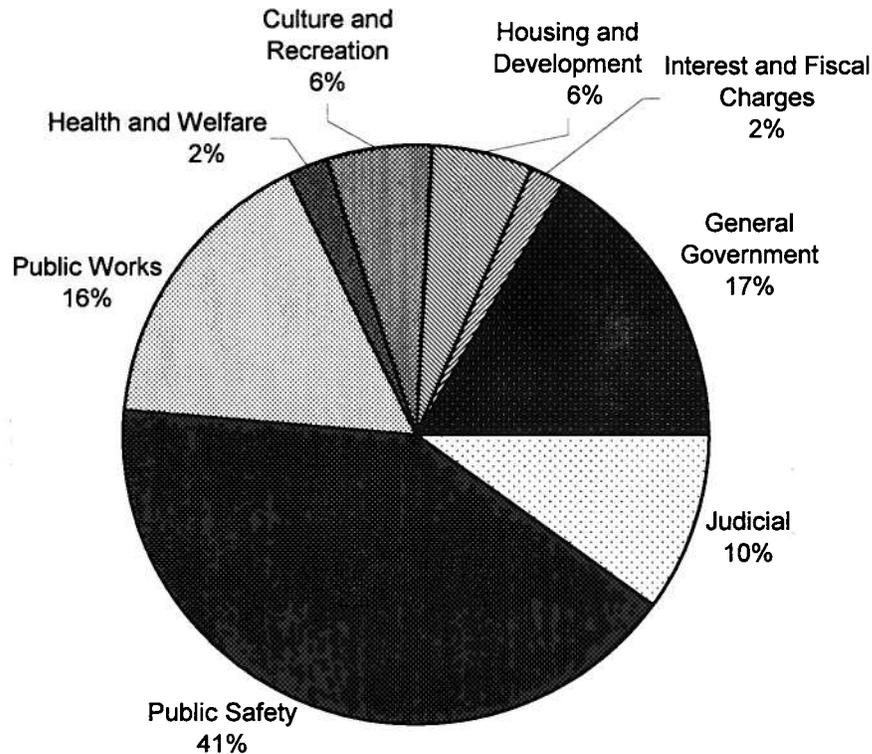


The County's major expense, ensuring public safety, remained constant at 41% of the combined total expenses. Public Safety includes law enforcement, jail operations, fire protection, E-911, coroner, animal control, and emergency management.

Expenditures for the Culture and Recreation program, which began August 2002, required only 6% of total combined expenses. This very successful countywide park and recreation program involves several thousand youth in softball, basketball, cheerleading, football, and soccer activities.

The County continually assesses the condition of its infrastructure and engages in systematic preventive maintenance as well as improvements on the 744 miles of county-maintained roads, which includes 18.8 miles from acquiring streets in thirty-one new subdivisions. The County was able to resurface 26.47 miles of roads in FY 2006, which is a 3.39 more than the 23.08 miles resurfaced in the prior fiscal year. Resurfacing costs were expended in the Public Works Program, which grew from 12% of total program expenses in FY 2005 to 16% in FY 2006.

FY 2006 Program Expenses



The General Fund subsidized EMS \$694,286 and Solid Waste \$510,299, which is down 53% from FY 2005 for EMS and down 22% for Solid Waste. In the EMS Fund, revenues decreased by 31%, primarily due to increased write-offs of uncollectible accounts including some from prior years, while expenses decreased only 9% resulting in a 67% deterioration in the bottom line for operations. In the Solid Waste Fund, revenues increased by 21%, due to an increase in landfill use fees, while expenses increased 3% resulting in a 10% improvement in the bottom line for operations. Capital Assets, net of depreciation, decreased slightly for both EMS and Solid Waste. There was an overall decrease in net assets for business-type activities of \$84,000.

THE COUNTY'S FUNDS

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

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

The County ended the 2006 fiscal year with a combined fund balance of \$20.5 million for governmental funds including \$5.6 million reserved for SPLOST projects. The remaining fund balance remained unreserved.

Major Funds:

General Fund

The General Fund is the operating fund of the County. At the end of fiscal year 2006, the unreserved fund balance was \$13 million. As a measure of liquidity, it may be useful to compare the unreserved fund balance to the sum of total expenditures for the General Fund and total other financing uses. The *unreserved* General Fund balance represents 36.5% of that total, up from 19.2% in the previous year.

The fund balance in the general fund increased \$6.0 million during FY 2006. Tax revenues from new development and 2005 tax digest reassessments provided the bulk of the increase in revenues. Savings in expenditures were primarily from attrition in the sheriff's and related departments; a death penalty case budgeted is still ongoing so related expenditures were not incurred; no runoff elections were necessary; jury, indigent defense, and other related court costs were less than expected; the equipment budget in fire fighting was not fully expended; some road resurfacing budgeted in the general fund was paid for from SPLOST funds instead; and some road resurfacing was not completed by the year end. The County millage rate stayed the same for 2005 property taxes received in FY 2006. In an effort to be good stewards of taxpayers' funds, County offices continued to make concerted efforts to improve efficiencies in providing necessary services. Additional information about the General Fund can be found in the Budgetary Comparison Schedule on pages 52-53.

Special Local Option Sales Tax (SPLOST) Capital Projects Fund

The SPLOST Fund was established to account for the proceeds of the special five-year, one-cent sales tax and projects approved by the voters on September 18, 2001 for up to \$43.7 million. The voters also approved a \$27.8 million general obligation sales tax bond in conjunction with the SPLOST building and park facility projects. The allocations of 2002-2006 SPLOST G/O bond proceeds are:

- \$15.3 million for a 160,000 square-foot County Administration and Judicial building
- \$7.5 million for additions to the County jail to house an additional 210 prisoners
- \$5 million for additional parks and recreation facilities

In addition, the voters approved the use of SPLOST revenues that exceed debt service requirements on the bonds for up to:

- \$8.3 million for road and bridge improvements

All bond proceeds were expended as of June 30, 2006. The judicial building was completed with a total cost of \$15.1 million. The Loganville and Social Circle Parks were completed, as well as the additions to the County jail. As stated previously, Monroe-Felker Park was a work in progress at year-end with SPLOST proceeds and interest earned being utilized for completion. As the economy continued improving in FY 2006, SPLOST proceeds were up resulting in an increase in fund balance of \$1.1 million. Additional information on the SPLOST Capital Projects Fund can be found in the Schedule of Projects Constructed with SPLOST Funds on page 80.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of principal and interest from government resources when the County is obligated for the payment. During FY 2006, the County entered into an installment sale agreement to refinance the Certificates of Participation issued in 2004. Funds were held in trust to secure the debt for the COPS. After the refinance, the county liquidated the trust and released the funds to the General Fund. This, along with a prior period adjustment to remove accrued interest expense, resulted in a \$604,800 decrease in fund balance. This leaves the Debt Service Fund with a \$1,000 fund balance.

Non-Major Governmental Funds:

Liabilities in the non-major governmental funds were \$370,809, and the unreserved fund balance was up \$1.1 million to slightly more than \$1.8 million for the year ended June 30, 2006. The increase in assets and fund balance is mostly due to the collection of the newly imposed impact fees totaling \$984,934 for this fiscal year. The non-major governmental fund totals are a combination of the following special revenue funds and capital projects funds:

Special Revenue Funds

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

- 911 Emergency Communications Fund
- DARE Fund
- Forfeited Drug Seizure Fund
- Law Library Fund
- Crime Victim's Assistance Fund
- Drug Abuse Treatment & Education Fund
- Clerk's Authority Fund
- Juvenile Supplemental Services Fund
- Multiple Grants Fund
- Sheriff's Department Special Revenue Fund
- Volunteer Fire

Capital Projects Funds

The governmental capital projects funds are used to account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds. The County's sole construction project not accounted for in the Special Local Option Sales Tax fund was a new state of the art ball field at West Walton Park in Loganville. The American Legion will contribute a total of \$400,000 that will cover the cost of the project. Approximately \$110,000 has been received to date.

The Board of Commissioners adopted the Development Impact Fee Ordinance of Walton County, Georgia to "ensure that adequate public facilities are available to serve new growth and development in Walton County and to provide that new growth and development bears a proportionate share of the cost of the new public facilities needed to serve them... The Ordinance is intended to implement and be consistent with the Walton County Comprehensive Plan, as it may be adopted or amended in accord with the Georgia Comprehensive Planning Act (O.C.G.A. 50-8-1 *et seq.*); and the *Minimum Standards and Procedures for Local Comprehensive Planning* and the *Development Impact Fee Compliance Requirements*, both as adopted by the Georgia Board of Community Affairs and amended from time to time." On July 1, 2005, the County began collecting these fees with the first year of collections resulting in over \$970,000 of revenue. Of these earnings, \$157,000 is available for the libraries of Walton County, \$236,000 for fire protection, \$58,000 for the County Jail, \$55,000 for Law Enforcement, \$5,000 for emergency communications, \$10,000 for Emergency Medical Services (EMS), \$428,000 for parks and recreation, and the remaining balance is for administration of the Impact Fee Fund. Collections, combined with interest earned, resulted in a fund balance of \$985,000.

Proprietary Funds

The County reports two business-type activities as proprietary funds: Solid Waste and Recycling Operations and Emergency Medical Services. The County began providing Emergency Medical Services on July 1, 2001. These funds are discussed starting on page ix.

The County's two internal service funds for employee health care and worker's compensation claims had combined assets of \$2.7 million, liabilities of \$763,000, and unreserved fund balances totaling \$2 million.

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

Fiduciary Funds

These agency funds are used to account for resources held for the benefit of parties outside the government; therefore assets are equal to liabilities. Additional information is available on page 74 of the Combining Statements and Schedules Section. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for the intended purposes. The fiduciary funds assets and liabilities were approximately \$450,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level. The most significant budget is that of the General Fund. The County's final General Fund revenue and expenditure budgets reflect an increase of approximately \$3.6 million.

The original General Fund budget included \$620,000 for contingencies recorded in the Finance Department Budget. These funds were utilized to purchase capital items such as computers and servers, vehicles, building improvements, fire fighting equipment, mowers, and other utility equipment resulting in budget amendments to the relative departments. Additionally, due to the growth of the County, the reorganization of the Walton County Water Sewage Authority, and other complex legal matters, contingency funds and savings recognized in the Board of Equalization budget were utilized to increase the legal expense budget \$120,000.

Other significant budget amendments were related to road improvements. During FY 2006, the Walton County Board of Education contributed \$240,000 and the State of Georgia contributed approximately \$100,000 for the Highway 81 turn lane at Youth Middle School, and the County expended \$1.3 million on road resurfacing of which \$836,000 will be reimbursed by SPLOST.

Participation in the Walton County Recreation Program continued to increase in FY 2006. In order to provide uniforms, equipment, and contract labor to handle the additional teams, the County amended the Recreation budget utilizing savings recognized in the Park Areas budget. Interest income was greater than projected and enabled the County to amend the Planning and Zoning and Protective Inspections budgets for personnel changes, the Coroner budget for increased costs in contract labor, the Probate budget for greater than expected indigent defense costs, and General Government Buildings for electricity costs. The Streetlight budget also required a budget amendment for electricity costs, which was made possible by savings on equipment installation in the Traffic Engineering department.

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

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

As previously stated, by the end of fiscal year 2006, revenues, including reimbursements, exceeded expenditures resulting in a \$6.1 million increase in fund balance for the General Fund. The Board of Commissioners exerts considerable control over expenditures during the course of the fiscal year and continually seeks more efficient and cost effective means for providing services to the citizens of Walton County.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006 amounted to \$87 million, net of \$113 million in accumulated depreciation. This investment in capital assets includes land, site improvements, construction-in-progress, buildings and building improvements, equipment, and infrastructure. Total capital assets, net of additions, retirements and depreciation, increased \$2.4 million for governmental activities and decreased approximately \$13,000 for business-type activities. Depreciation expense for the governmental activities for the period was \$4.6 million, of which \$2.1 million was for infrastructure. Additional information on Capital Assets can be found in Note 5 of the *Notes to the Financial Statements*, beginning on page 25.

Major capital asset activities in 2006 were:

- \$1.5 million for road resurfacing
- \$2.2 million for donated subdivision roads
- \$1.1 million for construction of 4 parks
- \$1 million for land donated
- \$312,000 for a fire truck
- \$119,000 for 3 sheriff interceptor cars including radar, cameras, and accessories
- \$117,000 for a dump truck and pick up truck for the road department
- \$326,000 for vehicles for other county departments
- \$400,000 for equipment for county departments

Long-term Debt

As of June 30, 2006, Walton County had \$8.7 million in outstanding debt principal, of which \$4.7 million was due within one year. Of the debt due within one year, \$3.8 million represented principal payments on the \$27,880,000 General Obligation Special Local Option Sales Tax Bonds issued December 21, 2001. Standard and Poor's assigned this bond issue a "AAA" rating. As previously stated, the 1% SPLOST generated \$34 million from January 1, 2002 through June 30, 2006.

The County issued a \$1,265,000 new installment agreement payable as part of its refinancing of the Certificates of Participation during the fiscal year.

Additional information about the County's long-term debt can be found in Note 6 of the *Notes to the Financial Statements*, beginning on page 29.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Commissioners sets rigorous standards for sound financial management of the County, regularly considering the needs of the community in light of the costs to provide for those needs and the various sources of funding available. County employees received a 3% cost of living increase during FY 2006.

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

The County's elected and appointed officials considered many factors when setting the fiscal-year 2006 fund budgets and tax rates. One of those factors was the economy. Economic activity in Walton County followed regional and national trends. Retail sales and related taxes increased during the year. As development occurred, the tax digest increased, and the County was able to maintain satisfactory levels of service to its citizens and hold the millage rate relatively constant. The citizens of Walton County are currently enjoying a new Home Depot, Applebee's, new doctors' offices, and a new hospital facility are planned for FY 2007.

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

Oxford, a plant that employed Walton County Citizens for many years, closed in FY 2006. Since a new manufacturing company will be taking its place, the closing of this company should not have a large impact on unemployment for Walton County. Real property taxes will remain constant in FY 2006 for this location. However, the new manufacturing company will have less personal property, which will result in a slight decrease in personal property taxes from this physical location.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

WALTON COUNTY, GEORGIA
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS	PRIMARY GOVERNMENT		TOTAL	COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES		
Cash	\$ 19,336,002	\$ 22,574	\$ 19,358,576	\$ 5,604,337
Investments	1,565,997	-	1,565,997	1,227,425
Receivables (net of allowance for uncollectibles)	4,933,521	344,635	5,278,156	1,247,669
Inventories	98,412	5,923	104,335	-
Prepaid items	48,552	-	48,552	22,263
Net pension obligation	223,122	-	223,122	-
Deferred charges	29,811	-	29,811	603,319
Restricted cash	-	-	-	8,161,294
Restricted investments	-	-	-	682,231
Land held for resale	-	-	-	3,193,834
Construction in progress held for resale	-	-	-	1,088,227
Investment in joint venture	1,511,694	-	1,511,694	-
Capital assets:				
Capital assets not being depreciated	27,481,119	372,370	27,853,489	15,888,130
Capital assets being depreciated	170,585,399	1,941,788	172,527,187	47,231,979
Less accumulated depreciation	(111,902,613)	(1,298,052)	(113,200,665)	(8,802,406)
Capital assets, net of depreciation	86,163,905	1,016,106	87,180,011	54,317,703
TOTAL ASSETS	113,911,016	1,389,238	115,300,254	76,148,302
LIABILITIES				
Accounts payable	\$ 1,193,612	\$ 54,661	\$ 1,248,273	\$ 456,784
Bank overdraft	-	-	-	-
Accrued liabilities	490,657	44,942	535,599	520,629
Claims payable	745,886	-	745,886	-
Deferred revenue	-	-	-	-
Funds held in trust	32,143	-	32,143	674,191
Noncurrent liabilities:				
Due within one year				
Bonds payable	3,785,149	-	3,785,149	1,165,726
Capital lease payable	480,525	-	480,525	-
Contracts payable	139,865	-	139,865	-
Notes payable	253,000	-	253,000	3,990,452
Compensated absences	588,341	66,581	654,922	22,847
Due in more than one year				
Bonds payable	-	-	-	19,306,991
Capital lease payable	25,363	-	25,363	-
Contracts payable	3,239,241	-	3,239,241	-
Notes payable	759,000	-	759,000	12,255,477
Compensated absences	392,228	44,387	436,615	85,440
TOTAL LIABILITIES	12,125,010	210,571	12,335,581	38,478,537
NET ASSETS				
Invested in capital assets, net of related debt	80,890,679	1,016,106	81,906,785	24,849,020
Restricted for:				
Debt service	5,642,135	-	5,642,135	2,213,519
Sales tax referendum projects	1,000	-	1,000	-
Judicial programs	525,525	-	525,525	-
Public safety programs	314,716	-	314,716	-
Impact fee program	984,934	-	984,934	-
General government programs	-	-	-	-
Health services	-	-	-	786,887
Unrestricted	13,427,017	162,561	13,589,578	9,820,339
TOTAL NET ASSETS	\$ 101,786,006	\$ 1,178,667	\$ 102,964,673	\$ 37,669,765

The accompanying notes are an integral part of this statement.

**WALTON COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006**

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT:	PROGRAM REVENUES					TOTAL	COMPONENT UNITS
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES		
GOVERNMENTAL ACTIVITIES							
General government	\$ 6,469,566	\$ 1,750,831	\$ 75,039	\$ 3,216,638	\$ (1,427,058)	\$	
Public safety	15,922,235	2,476,776	207,661	170,568	(13,067,230)	(13,067,230)	
Court system	3,837,650	2,323,529	182,307	-	(1,331,814)	(1,331,814)	
Health and welfare	821,426	146,367	50,388	-	(624,671)	(624,671)	
Recreation and culture	2,315,100	846,950	11,407	109,696	(1,347,047)	(1,347,047)	
Public works	6,318,401	-	334,444	-	(5,983,957)	(5,983,957)	
Housing and development	2,183,210	1,378,457	49,766	-	(754,987)	(754,987)	
Interest and paying agent fees	696,797	-	-	-	(696,797)	(696,797)	
Total Governmental Activities	38,564,385	8,922,910	911,012	3,496,902	(25,233,561)	(25,233,561)	
BUSINESS-TYPE ACTIVITIES							
Solid Waste	929,634	450,366	-	-	-	(479,268)	
EMS	1,952,147	1,141,215	-	-	-	(810,932)	
Total Business-Type Activities	2,881,781	1,591,581	-	-	-	(1,290,200)	
Total Primary Government	\$ 41,446,166	\$ 10,514,491	\$ 911,012	\$ 3,496,902	\$ (25,233,561)	\$ (26,523,761)	
TOTAL COMPONENT UNITS	\$ 9,041,855	\$ 8,143,828	\$ 1,875,659	\$ 4,182,991	\$ -	\$ -	5,160,423
GENERAL REVENUES							
Property taxes					22,258,345	22,258,345	
Sales taxes					16,506,194	16,506,194	
Insurance premium taxes					1,761,449	1,761,449	
Real estate recording					1,078,091	1,078,091	
Other taxes					665,936	665,936	
Total taxes					42,270,015	42,270,015	
Unrestricted investment earnings					2,078	2,078	261,900
Grants and contributions not restricted to a specific program					952,934	952,934	
Gain on sale of capital assets					1,336,525	1,336,525	
TRANSFERS					14,364	14,364	
Total General Revenues and Transfers					44,575,916	44,575,916	261,900
CHANGE IN NET ASSETS					18,052,155	18,052,155	5,422,323
NET ASSETS, Beginning					85,755,320	85,755,320	32,288,892
Prior period adjustment					(842,802)	(842,802)	(41,450)
NET ASSETS, Beginning as restated					84,912,518	84,912,518	32,247,442
NET ASSETS, Ending					102,964,673	102,964,673	37,669,765

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	GENERAL	DEBT SERVICE FUNDS	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash	\$ 9,439,257	\$ 1,000	\$ 7,573,488	\$ 1,825,400	\$ 18,839,145
Receivables (net of allowance for uncollectibles)	2,647,009	-	1,740,519	371,584	4,759,112
Inventories	98,412	-	-	-	98,412
Due from other funds	3,427,052	-	-	-	3,427,052
TOTAL ASSETS	\$ 15,611,730	\$ 1,000	\$ 9,314,007	\$ 2,196,984	\$ 27,123,721
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 614,324	\$ -	\$ 458,149	\$ 104,025	\$ 1,176,498
Accrued liabilities	473,834	-	-	16,822	490,656
Due to other funds	445,376	-	3,213,723	213,329	3,872,428
Deferred revenue	1,080,253	-	-	8,952	1,089,205
Funds held in trust	4,462	-	-	27,681	32,143
TOTAL LIABILITIES	2,618,249	-	3,671,872	370,809	6,660,930
FUND BALANCES					
Reserved for:					
Sales Tax Referendum Projects	-	-	5,642,135	-	5,642,135
Debt Service Funds	-	1,000	-	-	1,000
Unreserved, undesignated, reported in					
General Fund	12,993,481	-	-	-	12,993,481
Special Revenue Funds	-	-	-	840,241	840,241
Capital Projects Funds	-	-	-	985,934	985,934
TOTAL FUND BALANCES	12,993,481	1,000	5,642,135	1,826,175	20,462,791
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,611,730	\$ 1,000	\$ 9,314,007	\$ 2,196,984	\$ 27,123,721

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances for governmental funds (page 3) **\$ 20,462,791**

Total net assets reported for governmental activities in the statement of net assets is different as a result of the following:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Capital assets, net of accumulated depreciation 86,163,905

Asset related to investment in joint venture 1,511,694

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

Property taxes 342,617

Fines 746,588

1,089,205

Net pension obligation is not available during the current period and therefore is not reported in the funds.

223,122

Internal service funds are used by management to charge the costs of health insurance and workers' compensation to individual funds.

The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

1,968,192

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net assets. Balances at June 30, 2006 are:

Notes payable (1,012,000)

Contracts payable (3,379,106)

Bonds payable (3,750,000)

Bond premium (35,149)

Deferred charges 29,811

Capital leases payable (505,888)

Compensated absences (980,569)

Total long-term liabilities (9,632,901)

Rounding (2)

Total net assets of governmental activities (page 1) **\$ 101,786,006**

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

	GENERAL	DEBT SERVICE FUNDS	SPLOST	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 32,267,070	\$ -	\$ 9,980,933	\$ -	\$ 42,248,003
Licenses and permits	823,288	-	-	970,306	1,793,594
Fines and forfeitures	1,457,394	-	-	368,347	1,825,741
Charges for services	3,704,197	-	35	1,151,061	4,855,293
Intergovernmental	1,824,214	-	-	470,143	2,294,357
Interest income	669,246	14,277	214,075	26,909	924,507
Rental income	14,485	-	-	73,206	87,691
Donations	12,302	-	-	111,662	123,964
Other income	94,262	-	244	26,429	120,935
TOTAL REVENUES	40,866,458	14,277	10,195,287	3,198,063	54,274,085
EXPENDITURES					
Current					
General government	5,634,079	-	35,369	800	5,670,248
Public safety	13,293,080	25,710	-	1,476,547	14,795,337
Court system	3,569,044	-	-	234,173	3,803,217
Health and welfare	504,649	-	-	314,898	819,547
Recreation	1,999,165	-	-	-	1,999,165
Public works	3,908,656	-	-	-	3,908,656
Housing and development	1,504,945	-	-	22,875	1,527,820
Intergovernmental	-	650,000	-	-	650,000
Capital outlay	1,665,104	-	1,660,869	516,582	3,842,555
Debt service					
Principal	-	2,070,726	7,000,000	-	9,070,726
Interest	-	349,883	370,175	-	720,058
TOTAL EXPENDITURES	32,078,722	3,096,319	9,066,413	2,565,875	46,807,329
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,787,736	(3,082,042)	1,128,874	632,188	7,466,756
OTHER FINANCING SOURCES (USES)					
Transfers in	622,025	1,832,320	-	496,335	2,950,680
Transfers out	(3,528,529)	(620,078)	-	(6,658)	(4,155,265)
Proceeds from capital lease	-	1,265,000	-	-	1,265,000
Sale of capital assets	137,123	-	-	-	137,123
TOTAL OTHER FINANCING SOURCES (USES)	(2,769,381)	2,477,242	-	489,677	197,538
NET CHANGE IN FUND BALANCES	6,018,355	(604,800)	1,128,874	1,121,865	7,664,294
FUND BALANCES, Beginning of year, as previously reported	6,852,224	541,495	4,531,061	744,190	12,668,970
Prior period adjustment	122,902	64,305	(17,800)	(39,880)	129,527
FUND BALANCES, Beginning of year, as restated	6,975,126	605,800	4,513,261	704,310	12,798,497
FUND BALANCES, End of year	\$ 12,993,481	\$ 1,000	\$ 5,642,135	\$ 1,826,175	\$ 20,462,791

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net change in fund balances-total governmental funds (page 5)	\$	7,664,294
<p>Amounts reported for governmental activities in the statement of activities are different as a result of:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital Outlay	3,842,555	
Depreciation	(4,552,883)	(710,328)
<p>In the statement of activities, only the gain/loss on the sale of various equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets disposed.</p>		
Net book value of assets disposed		(126,511)
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
Principal payments on debt	9,070,726	
Proceeds from issuance of debt	(1,265,000)	7,805,726
<p>Internal service funds are used by management to charge the costs of health and workers' compensation insurance to individual funds. The net revenue of the internal service funds is reported with governmental activities.</p>		
		18,365
<p>Revenues reported in the funds that relate to prior years are not reported as revenues in the statement of activities</p>		
Property taxes, current year	342,617	
Property taxes, prior year	(320,605)	
Fines, current year	746,588	
Fines, prior year	(666,916)	
Donated assets	3,205,183	3,306,867
<p>Equity interests in investments in joint ventures change related to the value of the joint venture's net assets. Joint venture's are not reported in governmental funds</p>		
		277,836
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
Compensated absences current year	(980,569)	
Compensated absences prior year	774,707	(205,862)
Amortization of deferred charges	(71,547)	
Amortization of bond premium	84,357	12,810
<p>Net pension obligation is not available during the current period and therefore is not reported in the funds.</p>		
Net pension obligation current year	223,122	
Net pension obligation prior year	(130,627)	92,495
Change in net assets of governmental activities (page 2)		18,135,692

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	EMS	SOLID WASTE	TOTAL	
ASSETS				
Current Assets				
Cash	\$ -	\$ 22,574	\$ 22,574	\$ 496,857
Investments	-	-	-	1,565,997
Other receivables	321,936	22,699	344,635	174,409
Due from other funds	-	-	-	445,376
Prepaid items	-	-	-	48,552
Inventories	-	5,923	5,923	-
Total current assets	321,936	51,196	373,132	2,731,191
Noncurrent Assets				
Capital assets:				
Land	-	372,370	372,370	-
Buildings and improvements	-	302,615	302,615	-
Machinery and equipment	554,401	1,084,772	1,639,173	-
Less accumulated depreciation	(251,161)	(1,046,891)	(1,298,052)	-
Total capital assets (net of accumulated depreciation)	303,240	712,866	1,016,106	-
TOTAL ASSETS	625,176	764,062	1,389,238	2,731,191
LIABILITIES				
Current Liabilities				
Accounts payable	25,011	29,650	54,661	17,113
Accrued liabilities	33,854	11,088	44,942	-
Compensated absences	44,051	22,530	66,581	-
Claims payable	-	-	-	745,886
Total current liabilities	102,916	63,268	166,184	762,999
Noncurrent Liabilities				
Compensated absences	29,367	15,020	44,387	-
Total noncurrent liabilities	29,367	15,020	44,387	-
TOTAL LIABILITIES	132,283	78,288	210,571	762,999
NET ASSETS				
Invested in capital assets, net of related debt	303,240	712,866	1,016,106	-
Unrestricted	189,653	(27,092)	162,561	1,968,192
TOTAL NET ASSETS	\$ 492,893	\$ 685,774	\$ 1,178,667	\$ 1,968,192

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	EMS	SOLID WASTE	Total	
OPERATING REVENUES				
Charges for services	\$ 1,125,502	\$ 450,366	\$ 1,575,868	\$ -
Charges to other funds	-	-	-	4,345,939
TOTAL OPERATING REVENUES	<u>1,125,502</u>	<u>450,366</u>	<u>1,575,868</u>	<u>4,345,939</u>
OPERATING EXPENSES				
Administrative expenses	-	-	-	475,121
Claims paid	-	-	-	3,739,651
Depreciation	84,355	54,716	139,071	-
Disposal fees	-	120,962	120,962	-
Fiduciary fees	-	-	-	9,409
Insurance expense	-	-	-	134,904
Purchased services	29,427	23,047	52,474	-
Salaries and benefits	1,661,615	656,343	2,317,958	-
Supplies	161,037	74,566	235,603	-
TOTAL OPERATING EXPENSES	<u>1,936,434</u>	<u>929,634</u>	<u>2,866,068</u>	<u>4,359,085</u>
OPERATING INCOME (LOSS)	<u>(810,932)</u>	<u>(479,268)</u>	<u>(1,290,200)</u>	<u>(13,146)</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,626	452	2,078	31,511
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,626</u>	<u>452</u>	<u>2,078</u>	<u>31,511</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(809,306)</u>	<u>(478,816)</u>	<u>(1,288,122)</u>	<u>18,365</u>
Transfers in	694,286	510,299	1,204,585	-
CHANGE IN NET ASSETS	<u>(115,020)</u>	<u>31,483</u>	<u>(83,537)</u>	<u>18,365</u>
TOTAL NET ASSETS, beginning of year	607,913	654,291	1,262,204	1,579,770
Prior period adjustment	-	-	-	370,057
TOTAL NET ASSETS, beginning of year as restated	<u>607,913</u>	<u>654,291</u>	<u>1,262,204</u>	<u>1,949,827</u>
TOTAL NET ASSETS, end of year	<u>\$ 492,893</u>	<u>\$ 685,774</u>	<u>\$ 1,178,667</u>	<u>\$ 1,968,192</u>

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	EMS	SOLID WASTE	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,226,999	\$ 427,667	\$ 1,654,666	\$ 277,940
Internal activity - payments from other funds	-	-	-	4,217,441
Payments to suppliers	(204,142)	(225,118)	(429,260)	(4,390,397)
Payments to employees	(1,639,340)	(647,062)	(2,286,402)	-
Net Cash Provided By (Used In) Operating Activities	(616,483)	(444,513)	(1,060,996)	104,984
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in	694,286	510,299	1,204,585	-
Net Cash Provided (Used) by Noncapital and Related Activities	694,286	510,299	1,204,585	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(79,429)	(43,664)	(123,093)	-
Net Cash Provided By Noncapital Financing Activities	(79,429)	(43,664)	(123,093)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	1,626	452	2,078	54,148
Purchase of investments	-	-	-	(4,367,925)
Proceeds from the sale of investments	-	-	-	4,361,495
Net Cash Provided By (Used In) Investing Activities	1,626	452	2,078	47,718
Net Increase (Decrease) in Cash and Cash Equivalents	-	22,574	22,574	152,702
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	-	344,155
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 22,574	\$ 22,574	\$ 496,857
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (810,932)	\$ (479,268)	\$ (1,290,200)	\$ (13,146)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	84,355	54,716	139,071	-
(Increase) decrease in:				
Accounts receivable	101,497	(22,699)	78,798	67,329
Due from other funds	-	-	-	(128,498)
Prepaid expenses	-	(5,053)	(5,053)	3,384
Increase (decrease) in:				
Accounts payable	(13,678)	(1,490)	(15,168)	17,113
Accrued expenses	22,275	9,281	31,556	-
Claims payable	-	-	-	158,802
Due to other governments	-	-	-	-
Net Cash Provided By (Used In) Operating Activities	\$ (616,483)	\$ (444,513)	\$ (1,060,996)	\$ 104,984

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2006

	AGENCY FUNDS
ASSETS	
Cash	\$ 449,711
TOTAL ASSETS	<hr/> 449,711 <hr/>
LIABILITIES	
Funds held in trust	449,711
TOTAL LIABILITIES	<hr/> 449,711 <hr/>
NET ASSETS	<hr/> \$ - <hr/> <hr/>

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2006

	WATER AUTHORITY	DEVELOPMENT AUTHORITY	HEALTH DEPARTMENT	COMMISSION ON CHILDREN & YOUTH	TOTAL
ASSETS					
Cash	\$ 4,374,895	\$ 372,011	\$ 813,720	\$ 43,711	\$ 5,604,337
Restricted cash	8,161,294	-	-	-	8,161,294
Investments	1,227,425	-	-	-	1,227,425
Restricted investments	682,231	-	-	-	682,231
Receivables, net	1,162,389	-	70,625	14,655	1,247,669
Prepaid items	21,656	607	-	-	22,263
Deferred charges	598,194	5,125	-	-	603,319
Land held for resale	-	3,193,834	-	-	3,193,834
Construction in progress held for resale	-	1,088,227	-	-	1,088,227
Capital assets:					
Capital assets not being depreciated	15,888,130	-	-	-	15,888,130
Capital assets being depreciated	47,012,792	40,269	178,918	-	47,231,979
Less accumulated depreciation	(8,611,100)	(32,231)	(159,075)	-	(8,802,406)
Capital assets, net of depreciation	54,289,822	8,038	19,843	-	54,317,703
TOTAL ASSETS	70,517,906	4,667,842	904,188	58,366	76,148,302
LIABILITIES					
Accounts payable	\$ 417,686	\$ 34,445	\$ 3,141	\$ 1,512	\$ 456,784
Accrued liabilities	496,451	24,178	-	-	520,629
Funds held in trust	650,846	-	-	23,345	674,191
Noncurrent liabilities:					
Due within one year					
Notes payable - current	3,990,452	-	-	-	3,990,452
Bonds payable - current portion	515,726	650,000	-	-	1,165,726
Due in more than one year					
Notes payable	11,605,477	650,000	-	-	12,255,477
Bonds payable	19,306,991	-	-	-	19,306,991
Compensated absences	-	-	108,287	-	108,287
TOTAL LIABILITIES	36,983,629	1,358,623	111,428	24,857	38,478,537
NET ASSETS					
Invested in capital assets, net of related debt	26,017,530	8,038	19,843	-	26,045,411
Restricted for Debt service	2,213,519	-	-	-	2,213,519
Restricted for Health services	-	-	786,887	-	786,887
Unrestricted	5,303,228	3,301,181	(13,970)	33,509	8,623,948
TOTAL NET ASSETS	\$ 33,534,277	\$ 3,309,219	\$ 792,760	\$ 33,509	\$ 37,669,765

The accompanying notes are an integral part of this statement.

WALTON COUNTY, GEORGIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For The Year Ended June 30, 2006

	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES.....	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	WATER AUTHORITY	DEVELOPMENT AUTHORITY	HEALTH DEPARTMENT	COMMISSION ON CHILDREN AND YOUTH	TOTAL
WATER AUTHORITY										
Salaries and benefits	\$ 1,479,002	\$ -	\$ -	\$ -	\$ (1,479,002)	\$ -	-	-	-	\$ (1,479,002)
Other operating expenses	3,248,198	-	-	-	(3,248,198)	-	-	-	-	(3,248,198)
Depreciation	1,192,538	-	-	-	(1,192,538)	-	-	-	-	(1,192,538)
Interest expense	978,792	-	-	-	(978,792)	-	-	-	-	(978,792)
Total Water Authority	6,898,530	7,057,321	-	-	4,182,991	4,341,782	-	-	-	4,341,782
DEVELOPMENT AUTHORITY										
Salaries and benefits	96,577	-	-	-	-	-	(96,577)	-	-	(96,577)
Other operating expenses	97,235	-	-	-	-	-	(97,235)	-	-	(97,235)
Depreciation	6,914	-	-	-	-	-	(6,914)	-	-	(6,914)
Interest expense	70,733	-	-	-	-	-	(70,733)	-	-	(70,733)
Loss on capital asset	77	-	-	-	-	-	(77)	-	-	(77)
Total Development Authority	271,536	323,983	-	-	-	990,110	-	-	-	990,110
Health Department										
Health Department	1,805,762	758,999	-	-	-	-	(167,374)	-	(4,095)	(167,374)
Commission on Children & Youth	66,027	3,325	-	-	-	-	-	-	-	(4,095)
TOTAL COMPONENT UNITS	\$ 9,041,855	\$ 8,143,628	\$ 1,875,659	\$ 4,182,991	\$ 4,341,782	\$ 990,110	\$ (167,374)	\$ (4,095)	\$ (4,095)	\$ 5,160,423
GENERAL REVENUES										
Unrestricted investment earnings							18,221	27,889	1,541	261,900
Total General Revenues						214,249	18,221	27,889	1,541	261,900
CHANGE IN NET ASSETS										
NET ASSETS, Beginning of year						4,556,031	1,008,331	(139,485)	(2,554)	5,422,323
Prior period adjustment						28,978,246	2,342,338	932,245	36,063	32,288,892
NET ASSETS, Beginning as restated						28,978,246	(41,450)	-	-	(41,450)
NET ASSETS, End of year						28,978,246	2,300,888	932,245	36,063	32,247,442
						\$ 33,534,277	\$ 3,350,869	\$ 792,760	\$ 33,509	\$ 37,711,215

The accompanying notes are an integral part of this statement.